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ABSTRACT

This report summarizes the 18 titles of the Food Security Act of 1985 and compares it with previous legislation where applicable. It describes the act's provisions for dairy; wool and mohair; wheat; feed grains; cotton; rice; peanuts; soybeans; sugar; other general commodity provisions; trade; conservation; credit; agricultural research, extension, and teaching; food stamp and related programs; marketing; and related and miscellaneous matters. Title XVIII pertains to the general effective date. Appendixes include a chart of commodity program levels, crop years 1982-86; synposes of major agricultural legislation, 1933-86; a glossary of agricultural policy terms; selected references; and a summary of the Food Security Improvement Act of 1986. (YLB)

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Provisions of the Food Security Act of 1985

Lewrene K. Glaser

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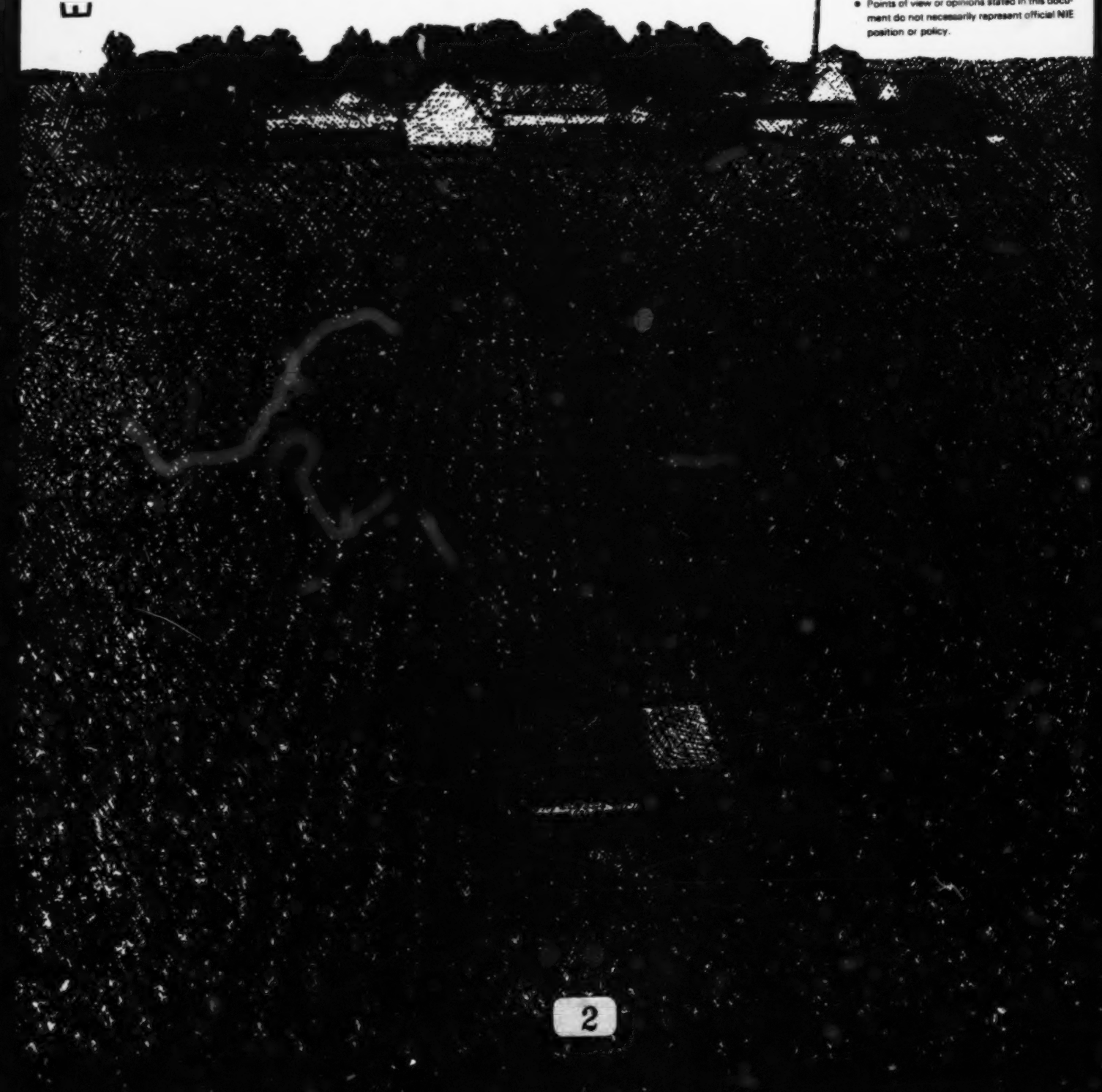

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PROVISIONS OF THE FOOD SECURITY ACT OF 1985. By Lewrene K. Glaser. National Economics Division, Economic Research Service, U.S. Department of Agriculture. Agriculture Information Bulletin No. 498.

ABSTRACT

The Food Security Act of 1985 (P.L. 99-198) establishes a comprehensive framework within which the Secretary of Agriculture will administer agriculture and food programs from 1986 through 1990. This report describes the act's provisions for dairy, wool and mohair, wheat, feed grains, cotton, rice, peanuts, soybeans, and sugar (including income and price supports, disaster payments, and acreage reductions); other general commodity provisions; trade; conservation; research, extension, and teaching; food stamps; and marketings. These provisions are compared with earlier legislation.

Keywords: Program commodities, loan levels, target prices, cropland reduction, grain reserves, conservation, credit, food aid, agricultural trade, food stamps, agricultural research.

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SUMMARY

The Food Security Act of 1985 (P.L. 99-198) establishes a comprehensive framework within which the Secretary of Agriculture will administer agriculture and food programs from 1986 through 1990. Following is a brief outline of the act, first by topic, then by title.

Commodity Provisions

Loan programs--Minimum support levels specified for 1986; market-based formulas for 1987-90 with limited annual declines. Further cuts authorized for wheat and feed grains when needed to compete in world markets. Marketing loans and certificates required for cotton and rice.

Target prices--Minimum target prices frozen at 1985 levels in 1986-87 for wheat and feed grains, 1986 only for cotton and rice. Target minimums decline in following years.

Acreage reduction--Secretary may use acreage reduction, set-aside, or paid land diversion programs to reduce acreage planted to wheat, feed grains, cotton, and rice. Acreage reduction tied to level of carryover stocks.

Grain reserves--Continues farmer-owned reserve.

Export Provisions

Food aid--Continues and expands P.L. 480 and section 416 international food aid programs. Creates Food for Progress program.

Cargo preference--Exempts specific commercial exports from U.S. flag vessel requirements. Increases share of food aid shipments which must be carried on U.S. flag vessels.

Conservation Provisions

Creates "sodbuster," "swampbuster," and conservation reserve programs to help remove highly erodible land and wetland from crop production.

Other Provisions

Continues, revises, or expands credit, research, extension, and food stamp programs. Authorizes three new market promotion programs.

Programs by Title

Title I--Continues milk support price for 1986 at $11.60 per hundredweight (cwt) with further declines in 1987-90. Requires milk production termination program for April 1, 1986-September 30, 1987. Amends Federal milk marketing orders.

Title II--Continues wool and mohair programs through 1990.

Titles III and IV--Continues price and income supports for wheat and feed grains. Authorizes Secretary to implement marketing loans, loan deficiency payments, target option program, and inventory reduction payments. Allows discretionary marketing quotas for wheat.

Title V--Continues cotton programs through crop year 1990. Requires marketing loans and certificates to make U.S. cotton more competitive in world markets. Allows optional loan deficiency and inventory reduction payments.

Title VI--Continues rice income and price-support programs. Requires marketing loans and certificates to make U.S. rice more competitive in world markets. Allows optional loan deficiency and inventory reduction payments.

Title VII--Continues two-tier peanut price-support program. Authorizes disaster payments for 1985-90 crops.

Title VIII--Continues soybean price-support program for 1986-90 crops. Authorizes marketing loans and disaster payments.

Title IX--Continues sugarcane and sugar beet price-support programs. Authorizes disaster payments for 1985-90 crops.

Title X--Establishes system for calculating crop and farm acreage bases and program yields. Amends honey program. Limits payments received under wheat, feed grain, Upland and extra long staple (ELS) cotton, and rice programs to $50,000 per person per year; disaster payments to $100,000 per person per year. Revises farmer-owned reserve program.

Title XI--Amends Public Law (P.L.) 480 to allow use of foreign currencies obtained through program to encourage development of private enterprise and enhance food security in developing countries through local food production. Creates Food for Progress program to help countries that have made commitments to introduce or expand free enterprise elements in their food sectors. Expands type and volume of commodities donated under section 416. Creates Special Assistant to the President for Agricultural Trade and Food Aid. Establishes further programs to promote commercial agricultural exports. Changes cargo preference laws to exempt specific commercial program shipments and to increase the mandated percentage of food aid shipments which must be carried on U.S. flag vessels.

Title XII--Prohibits USDA program benefits to farmers who convert highly erodible land ("sodbusters") or wetlands ("swampbusters") to cropland. Authorizes a conservation reserve of 40 to 45 million acres by 1990.

Title XIII--Shifts funding for USDA credit programs from direct to guaranteed loans. Protects buyers of farm products from double payment. Assists farmers who are in financial difficulty or have lost farms in foreclosures.

Title XIV--Authorizes or continues research, extension, and teaching programs.

Title XV--Continues and amends Food Stamp Program through September 30, 1990. Extends Temporary Emergency Food Assistance Program through September 30, 1987. Increases funding for Puerto Rico's Nutrition Assistance Program. Expands nutrition monitoring of needy.

Title XVI--Establishes mandatory promotion programs for beef and pork and an optional program for watermelons. Increases penalties for violations of marketing orders. Mandates development of new grain classification standards.

Title XVII--Establishes processing, inspection, and labeling requirements for poultry and meat imports. Establishes criteria for Agricultural Stabilization and Conservation committees. Establishes a National Commission on Agricultural

Policy to study structure, procedures, and methods of formulating and administering U.S. agricultural policies. Authorizes programs in aquaculture research, assistance, and training. Requires study and pilot project on farmers' use of agricultural commodity futures and options markets. Requires establishment of animal welfare standards. Requires program to control grasshoppers and Mormon crickets.

Provisions of the Food Security Act of 1985

Lewrene K. Glaser

INTRODUCTION

The Food Security Act of 1985 (P.L. 99-198) provides a 5-year framework for the Secretary of Agriculture to administer various agriculture and food programs. Several of the commodity programs were started decades ago under the Agricultural Adjustment Acts of 1933 and 1938 and the Agricultural Act of 1949 (commonly referred to as permanent legislation).

More recent legislation created USDA's food stamp, credit, and research programs. All of the programs have been modified over time to meet changing economic needs and various domestic and international conditions. The 1985 Act is the latest piece of legislation in this series; it replaces the Agriculture and Food Act of 1981, which expired with the 1985 crops.

The Food Security Act of 1985 was passed by Congress December 18 and signed by the President December 23, 1985. Public Law 99-253, making technical corrections in the 1985 Act, passed Congress on February 19 and was signed by the President on February 28, 1986. These corrections made cross compliance for wheat and feed grains discretionary instead of mandatory, changed the formula for calculating crop acreage bases, and changed the election procedure for local Agricultural Stabilization and Conservation (ASC) committees. The Food Security Improvements Act of 1986 was passed by Congress on March 12 and was signed by the President on March 20.

This report summarizes the act's 18 titles and compares it with previous legislation where applicable. The Secretary referred to throughout the text is the Secretary of Agriculture, unless otherwise noted. This report concludes with a table of the commodity program levels 1982-86, a short list of agricultural legislation from 1933 to 1986, a glossary of agricultural terms, a list of additional readings, a summary of the Food Security Improvements Act of 1986, and an index.

How the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177), commonly referred to as Gramm-Rudman-Hollings, will affect the agricultural programs authorized in this act is not yet known. Gramm-Rudman-Hollings mandates across-the-board spending cuts in nonexempt Federal programs, including agriculture if the President and the Congress fail to agree on specified budget spending levels until a balanced Federal budget is achieved by 1990. USDA's Food Stamp Program is exempt from the cuts.

TITLE I: DAIRY

The 1985 Act continues the reduction in milk price supports and mandates a milk production termination program. The Secretary must establish a National Commission on Dairy Policy and has the authority to establish a National Dairy Research Endowment Institute. Changes are made in the provisions governing milk marketing

orders. Commodity Credit Corporation (CCC) stocks will be made available for the manufacture of casein and for use in a dairy export incentive program.

Price Support

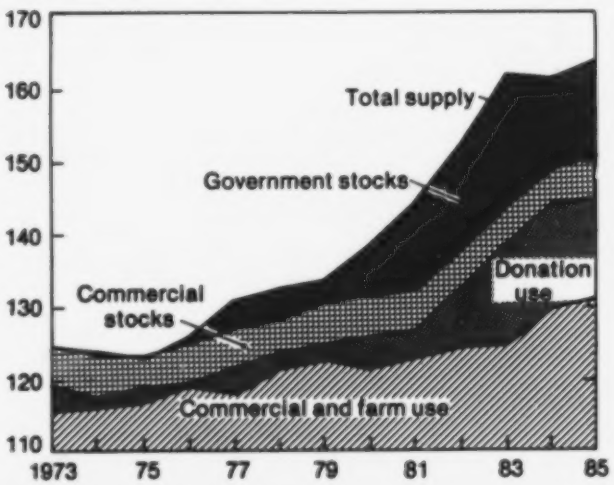
Title I specifies the support price for milk for January 1, 1986, to December 31, 1990. For calendar year 1986, the support level remains at $11.60 per hundredweight (cwt) for milk containing 3.67-percent milk fat. The support price drops to $11.35 per cwt for January 1-September 30, 1987, and $11.10 per cwt for October 1, 1987-December 31, 1990. However, the Secretary must adjust the support rate in calendar years 1988, 1989, and 1990, based on the estimated amount of net CCC price support purchases for each year. The price of milk is supported through the purchase of butter, cheese, nonfat dry milk, and other dairy products. If annual purchases are estimated to be 2.5 billion pounds or less (milk equivalent), the rate increases by 50 cents per cwt on January 1. If net CCC purchases are estimated to exceed 5 billion pounds, the rate decreases 50 cents per cwt. The support price, however, cannot be lowered after 1987 unless the milk production termination program decreases milk production by at least 12 billion pounds during the 18 months of the program or unless the Secretary certifies to Congress that reasonable contract offers were made under the program but not accepted by a sufficient number of producers to achieve the targeted reduction.

The 1981 Act specified minimum support levels for milk, a change from previous legislation where rates were based on a percent of parity. The initial support price was $13.10 per cwt for December 1981-September 1982 with further increases scheduled for fiscal years 1983-85. The Omnibus Budget Reconciliation Act of 1982 eliminated the scheduled increases and continued the support level at $13.10 per cwt through fiscal year 1984. Also, if CCC purchases remained high, the Secretary could reduce the effective returns to producers during fiscal year 1983-85. The 1982 Act authorized a 50-cent-per-cwt deduction on October 1, 1982, if net CCC purchases were projected to be more than 5 billion pounds (milk equivalent) for the next 12 months. A further 50-cent deduction was allowed on April 1, 1983, if projected net annual purchases exceeded 7.5 billion pounds. The deductions were made beginning April 16, 1983, and September 1, 1983, and ending November 30, 1983.

The Dairy and Tobacco Adjustment Act of 1983 significantly changed the existing dairy program by lowering price supports, instituting a 15-month voluntary milk diversion program, and requiring a dairy products promotion order. The price-support level dropped to $12.60 per cwt on December 1, 1983. The Secretary was authorized to further reduce the support price by 50 cents per cwt on April 1, 1985, if net CCC purchases were estimated to exceed 6 billion pounds (milk equivalent), and another 50 cents on July 1, 1985, if net purchases were estimated to exceed 5 billion pounds. Both reductions were taken. Figure 1 shows that milk supply and stocks have increased dramatically in the last few years.

Figure 1

Milk Supply, Use, and Stocks, 1985



1985 forecast. Stocks as of December 31.

Milk Production Termination Program

During the period April 1, 1986, through September 30, 1987, the Secretary must operate a milk production termination or "whole-herd buy-out" program. Under the whole-herd buy-out, producers will receive payments from USDA, based on bids submitted to the Secretary, for the purpose of stopping milk production. All dairy cattle which the producers own must be sold for slaughter or export. For 3, 4, or 5 years (as determined by the Secretary) after such sale, producers may not acquire interest in dairy cattle or milk production, nor acquire or make available to others facilities not used because of this program. Program participants must provide evidence of their milk marketing history and the past and present size and composition of their herds. A producer who began marketing milk in the 15-month period ending March 31, 1986, is ineligible to participate, except if the entire herd and facilities were transferred to the producer as the result of a gift or inheritance from a family member. Participants violating their contracts are subject to marketing and civil penalties.

To help offset the cost of the milk production termination program, the price of milk received by producers will be reduced by 40 cents per cwt during April 1-December 31, 1986, and 25 cents during January 1-September 30, 1987. This deduction will be collected by handlers and remitted to the CCC and is applicable to all milk marketed for commercial use in the contiguous 48 States. The Secretary must issue regulations specifying marketing procedures to ensure that the greatest number of cattle are slaughtered during April-August 1986 and March-August 1987 and that such sales follow historical seasonal marketing patterns. The total number of dairy cattle marketed for slaughter under this program is limited to 7 percent of the national dairy herd in addition to the normal culling rate per calendar year.

A milk diversion or a milk production termination program may be established by the Secretary in 1988, 1989, or 1990 as necessary to avoid burdensome excess stocks of milk or milk products. To minimize the effect of the 18-month program on beef, pork, and lamb producers, the Secretary must purchase 400 million pounds of red meat in addition to those normally purchased and distributed. Two hundred million pounds will be available for distribution through domestic programs and 200 million pounds for export programs and military commissaries located outside the United States.

The Dairy and Tobacco Adjustment Act of 1983 authorized a 15-month milk diversion program for January 1984-March 1985. Participation in the program was voluntary. Producers signed contracts to reduce their marketings by 5-30 percent from the base period and, in return, received payments of $10 per cwt. After November 8, 1983, participating producers could only sell their dairy cattle for slaughter or to another producer in the program. Idle facilities and equipment were not to be used by other producers. To partially offset the cost of the program, the Secretary deducted 50 cents per cwt from the price received by producers for milk marketed commercially in the contiguous 48 States during December 1983 through March 1985.

Casein

The CCC must maintain surplus stocks of nonfat dry milk of not less than 1 million pounds annually to sell to individuals or entities for the manufacture of casein. Bids may be accepted at lower than resale price in order to promote a domestic casein industry. The Secretary must determine whether imports of casein interfere with USDA's milk price-support program and report to Congress by February 21, 1986.

National Dairy Research Endowment Institute

The Secretary may establish within USDA a National Dairy Research Endowment Institute to aid the dairy industry in implementing a dairy products research order. The institute would establish permanent funding of scientific research to expand U.S. markets for milk and dairy products. The research goals would be to increase the knowledge of human nutritional needs and the relationship of milk and dairy products to those needs; to improve dairy processing technologies, particularly those appropriate to small- and medium-sized family farms; to develop new dairy products; and to appraise the effects of this information on the marketing of dairy products. The institute would be headed by a board of trustees, composed of members of the National Dairy Promotion and Research Board. If the institute is established, a Dairy Research Trust Fund of $100 million would be established in the U.S. Treasury. The money would be invested by the Treasury Secretary in various interest-bearing obligations, accounts, or certificates. The interest, dividends, and other payments that accrue would be available to the institute for authorized activities.

Milk Marketing Orders

The 1985 Act specifies minimum class I differentials for the 44 milk marketing orders administered by the Agricultural Marketing Service (AMS). (See table 1.) These differentials are the dollar amounts added to the price of manufacturing grade milk in the Minnesota-Wisconsin marketing area to determine the minimum class I (bottling) milk price that handlers must pay under each of the marketing orders.

Table 1—Minimum class I milk differentials 1/

Marketing order area	Minimum differential (per cwt of milk having 3.5 percent milk fat)	Marketing order area	Minimum differential (per cwt of milk having 3.5 percent milk fat)
	Dollars		Dollars
New England	3.24	Greater Kansas City	1.92
New York-New Jersey	3.14	Tennessee Valley	2.77
Middle Atlantic	3.03	Nashville, Tennessee	2.52
Georgia	3.08	Paducah, Kentucky	2.39
Alabama-West Florida	3.08	Memphis, Tennessee	2.77
Upper Florida	3.58	Central Arkansas	2.77
Tampa Bay	3.88	Fort Smith, Arkansas	2.77
Southeastern Florida	4.18	Southwest Plains	2.77
Michigan Upper Peninsula	1.35	Texas Panhandle	2.49
Southern Michigan	1.75	Lubbock-Plainview, Texas	2.49
Eastern Ohio-Western Pennsylvania	1.95	Texas	3.28
Ohio Valley	2.04	Greater Louisiana	3.28
Indiana	2.00	New Orleans-Mississippi	3.85
Chicago Regional	1.40	Eastern Colorado	2.73
Central Illinois	1.61	Western Colorado	2.00
Southern Illinois	1.92	Southwestern Idaho-Eastern Oregon	1.50
Louisville-Lexington-Evansville	2.11	Great Basin	1.90
Upper Midwest	1.20	Lake Mead	1.60
Western South Dakota	1.50	Central Arizona	2.52
Black Hills, South Dakota	2.05	Rio Grande Valley	2.35
Iowa	1.55	Puget Sound-Inland	1.85
Nebraska-Western Iowa	1.75	Oregon-Washington	1.95

1/ A minimum class I milk differential is the dollar amount added to the price of manufacturing grade milk in the Minnesota-Wisconsin marketing area to determine the class I (bottling) milk price in each of the marketing areas.

The minimum differentials will be in effect for the 2 years beginning May 1, 1986, and will continue in effect unless an order is amended by AMS. The Minnesota-Wisconsin price is an estimate of the average price paid for manufacturing grade milk used to make butter, nonfat dry milk, and cheese at plants in most of Minnesota and Wisconsin. Under Federal milk marketing orders, milk is priced according to how it is used at processing plants. Milk sold for drinking is in the highest price class, while milk used in manufactured products is in lower price classes.

The 1985 Act also authorizes milk marketing orders to include payments to handlers and marketing cooperatives for services of marketwide benefit. These services include, but are not limited to, providing facilities to furnish additional milk supplies needed by handlers and to dispose of excess milk supplies, and transporting milk to fulfill requirements for milk of a higher use classification or to provide a market outlet for milk of any use classification. AMS would also have to amend the marketing orders to incorporate such provisions.

National Commission on Dairy Policy

Title I establishes a National Commission on Dairy Policy to study the future operations of the Federal milk price support program. The commission will have 18 members, appointed by the Secretary, who are engaged in the commercial production of milk in the United States. At least 12 must be appointed from nominations made by Congress. The membership of the commission should reflect, as much as possible, the geographical distribution of milk production volume throughout the United States with each member representing a milk-producing region.

The commission will examine the current Federal price-support program for milk, alternatives to the program, the future functioning of the program, technologies that will become a part of the milk production industry before the end of this century, the effect that developing technologies will have on surplus milk production, and the future structure of the milk production industry.

The commission must submit its findings and recommendations to the Secretary and Congress not later than March 31, 1987. The commission will dissolve 30 days after the report is submitted.

Dairy Products for Veterans Administration Hospitals and the Military

The 1985 Act continues the transfer of dairy products (butter, cheese, and other items) acquired by the CCC to Veterans Administration hospitals and the military through December 31, 1990. The dairy products available under this program are limited to those acquired by the CCC under price-support operations and not disposed of through foreign donations.

Dairy Indemnity Program

The dairy indemnity program will be continued through September 30, 1990. Under this program, the Secretary is authorized to compensate dairy farmers for lost production, if they are directed to remove their milk from commercial markets due to nuclear radiation or fallout, inadvertent chemical residues, or toxic substances.

Dairy Export Incentive Program

From February 21, 1986, to September 30, 1989, the CCC must operate an export incentive program for dairy products. The CCC will pay, on a bid basis, individuals

or businesses that export U.S. dairy products. Bids will be accepted or rejected under criteria the Secretary deems appropriate. The Secretary must issue regulations that ensure that payments made under this program are for sales in addition to, not in place of, those that would normally be made and that such payments will not displace commercial export sales. The payments can be made in cash, in kind, or through the issuance of certificates redeemable for commodities. The payment rates must reflect the type of dairy product to be exported and the domestic and world prices of dairy products, among other things.

TITLE II: WOOL AND MOHAIR

The 1985 Act extends the National Wool Act of 1954 through December 31, 1990. The Secretary must support the price of wool and mohair through loans, purchases, payments, or other operations. The support rate for shorn wool, rounded to the nearest full cent, remains at 77.5 percent of:

$$\$0.62 \times \frac{\text{average parity index for 3 previous calendar years}}{\text{average parity index for 1958, 1959, and 1960}}$$

A parity index is the index of prices paid by farmers for commodities and services, including interest, taxes, and farm wages. The support prices for pulled wool and mohair must maintain normal marketing relationships between pulled and shorn wool and maintain approximately the same percentage of parity for mohair as for shorn wool.

TITLES III and IV: WHEAT AND FEED GRAINS

The 1985 Act continues price and income supports for wheat and feed grain producers through the 1990 crop year. Nonrecourse loans provide price support; target prices and deficiency payments provide income support. The 1985 Act authorizes the Secretary to implement several optional programs, including "marketing loans," loan deficiency payments, the "target option program," and inventory reduction payments. Wheat marketing quotas are also discretionary.

Target Prices and Price-Support Loans

Minimum target prices for wheat, unless a marketing quota is in effect, decrease from $4.38 per bushel for the 1986-87 crops to $4 per bushel for the 1990 crop (table 2). The 1981 Act specified minimum wheat target prices that increased from $4.05 per bushel for the 1982 crop to $4.65 per bushel for the 1985 crop. The

Table 2—Minimum wheat and corn target prices and loan rates, crop years 1986-90

Item	1986	1987	1988	1989	1990
			Dollars		
Wheat:					
Target price	4.38	4.38	4.29	4.16	4.00
Basic loan rate	3.00	1/	1/	1/	1/
Corn:					
Target price	3.03	3.03	2.97	2.88	2.75
Basic loan rate	2.40	1/	1/	1/	1/

1/ The rate is to be 75-85 percent of average market price (see text).

Agricultural Programs Adjustment Act of 1984 lowered the levels for the 1984-85 crops to $4.38 per bushel (app. 1).

Minimum target prices for corn decrease from $3.03 per bushel for the 1986-87 crops to $2.75 per bushel for the 1990 crop (table 2). The minimum levels for corn target prices for crop years 1982-85 set by the 1981 Act increased from $2.70 per bushel to $3.18 per bushel. The 1984 Act, however, held the 1985 rate at the 1984 level of $3.03 per bushel (app. 1). Payment rates for grain sorghum, oats, and barley, if designated by the Secretary, must be fair and reasonable in relation to the payment rate established for corn.

The 1985 Act continues loans and purchases for the 1986-90 crops of wheat and feed grains. Loan rates must encourage wheat and feed grain exports, not create excessive stocks, and reflect production costs, supply and demand conditions, and world prices of wheat and feed grains. The 1986 basic loan rate (prior to any discretionary reductions) is $3 per bushel for wheat and $2.40 per bushel for corn. For 1987-90, the basic rates will be 75-85 percent of the simple average of the season prices received by producers during the 5 preceding marketing years, dropping the years with the high and low prices. This rate may not be lowered by more than 5 percent from the basic rate in the previous year.

Loan levels may be further reduced from the basic rate by up to 20 percent if the average market price was 110 percent or less of the announced loan rate during the previous year or if the reduction is necessary to maintain domestic and export markets. For the 1986 crops of wheat and feed grains, the Secretary must reduce the basic rates of $3 and $2.40 by at least 10 percent. Any reduction made under this authority may not be used in determining the basic loan rate in subsequent years. For example, the basic loan rate for the 1987 crop of wheat will be calculated using the formula, but it may be set at no lower than $2.85 per bushel, a 5-percent reduction from the 1986 basic rate of $3. The $2.85 level can then be dropped by up to 20 percent to determine the final loan rate for 1987. Similar provisions for wheat and feed grains were contained in the 1981 Act, except that the trigger level was 105 percent of the announced loan rate and the reduction was limited to 10 percent annually, with a floor of $3 per bushel for wheat and $2 per bushel for corn.

Loans will once again be available for the 1986-90 crops of grain sorghum, barley, oats, and rye at levels that the Secretary determines are fair and reasonable in relation to the level for corn and that reflect such factors as relative feed values.

The 1981 Act established the minimum basic loan rates for wheat and corn at $3.55 and $2.55 per bushel, respectively, for the 1982-85 crops. The Omnibus Budget Reconciliation Act of 1982 raised the minimums, for the 1983 crop only, to $3.65 for wheat and $2.65 for corn. The Secretary used discretionary authority in 1984 and 1985 to reduce the loan rates for wheat by 25 cents (7 percent) to $3.30 per bushel. See appendix 1 for the target and loan levels, crop years 1982-86.

Loan Repayment

The Secretary has the option to offer wheat and feed grain producers a marketing loan. If market prices are below the loan rate, producers may repay their loan at the world market price, as determined by the Secretary, or 70 percent of the basic loan rate, whichever is higher. Loans may not be repaid at a level higher than the announced loan rate. If a marketing loan program is used, the Secretary must issue a formula defining the world market price and a mechanism for periodic announcement of such price.

Under a similar provision, the Secretary may offer loan deficiency payments to producers who, although eligible to obtain loans, agree not to. The loan deficiency payments for the 1986-90 crops of wheat, corn, grain sorghum, barley, oats, and rye would be determined by multiplying the loan payment rate by the amount of commodity eligible for loan. The payment rate per bushel is the announced loan level minus the repayment level used in the marketing loan. The amount of commodity eligible for this payment is determined by multiplying the individual farm program acreage for the crop by the farm program payment yield.

National Program Acreage

The 1985 Act continues to set the national program acreage (NPA) for wheat and feed grains at the number of harvested acres (based on the weighted national average of farm program payment yields) the Secretary determines is required to meet estimated domestic and export needs (less imports). The acreage may be adjusted for any desired increase or decrease in carryover stocks. The Secretary must announce the NPA for wheat for a particular crop year by June 1 (August 15 under the 1981 Act) of the preceding calendar year. The NPA for feed grains must be announced by September 30 (November 15 in the 1981 Act) of the preceding calendar year. The 1985 Act specifies a program allocation factor of 80-100 percent, arrived at by dividing the NPA for the crop by the estimated number of total acres that will be harvested. The program allocation factor is a ratio used in determining farm program acreage. As with the 1981 Act, the announcement of the NPA and the calculation of the program allocation factor are not required whenever an acreage reduction program (ARP) is in effect.

Farm Program Acreage

Individual farm program acreage continues to be determined by multiplying the allocation factor by the number of acres planted for harvest on the individual farm. If an ARP is in effect, then the individual farm program acreage is the acreage planted on the farm for harvest within the permitted acreage (the crop base less the percentage reduction specified by the ARP) with the following exception. If producers plant between 50 and 92 percent of the crop's permitted acreage when an ARP is in effect and devote the rest to conserving uses or nonprogram crops (any agricultural commodity other than wheat, feed grains, Upland cotton, extra long staple cotton, rice, or soybeans), then the individual farm program acreage equals 92 percent of the permitted acreage for the purposes of calculating deficiency payments. Any acreage considered planted under this provision may not also be used as conserving acreage under any acreage reduction, set-aside, or land diversion program.

Title X establishes the formulas by which crop acreage bases and farm program payment yields are calculated under a new acreage base and program yield system for wheat, feed grains, Upland cotton, and rice.

Deficiency Payments

Like the 1981 Act, the 1985 Act authorizes deficiency payments if the national weighted average market price received by farmers during the first 5 months of the marketing year is lower than the established target price for that crop year. The payment rate for wheat and corn is the difference between the target price and either the national weighted average market price or the basic loan level, whichever is higher. The payment rates for grain sorghum, oats, and barley, if designated by the Secretary, must be fair and reasonable in relation to corn. Payments for the 1986-90 crops will again be determined by multiplying the payment rate times the

individual farm program acreage times the farm program payment yield established for the farm. Deficiency payments will not be made for any quantity on which a disaster payment was made.

If the Secretary exercises discretionary authority to reduce the basic loan rate by up to 20 percent, USDA must make additional payments to producers to provide the same total return as if there had been no reduction. The payment rate is the basic loan level minus the national weighted season average farm price for the marketing year or the announced loan level, whichever is higher. These payments would not be subject to the $50,000 payment limitation. Title X specifies that payments received under the wheat, feed grain, Upland cotton, extra long staple (ELS) cotton, and rice programs are limited to $50,000 per person per year with certain exceptions.

Up to 5 percent of the deficiency payments (including payments made because the basic loan was reduced) may be made as payments-in-kind (PIK).

The Secretary may offer wheat producers a target option program (TOP), where producers choose from a schedule of target prices and corresponding acreage reduction levels. The Secretary also may vary the rate of wheat deficiency payments based on the quantity produced, with such payments being targeted to commercial family farmers with annual gross sales over $20,000.

Disaster Payments

As under the 1981 Act, the 1985 Act does not automatically entitle producers to disaster payments if they can obtain crop insurance under the Federal Crop Insurance Act. However, even if crop insurance is available, the Secretary may make disaster payments to producers when all of the following conditions have been met: (1) producers have suffered substantial farm production losses as the result of drought, flood, other natural disasters, or other conditions beyond the producers' control that either reduced yields or prevented planting of wheat, feed grains, or other nonconserving crop; (2) such losses have created an economic emergency for producers; (3) Federal crop insurance indemnity payments and other forms of assistance made available by the Federal Government are insufficient to alleviate the economic emergency; and (4) additional assistance must be made available to such producers to alleviate the economic emergency.

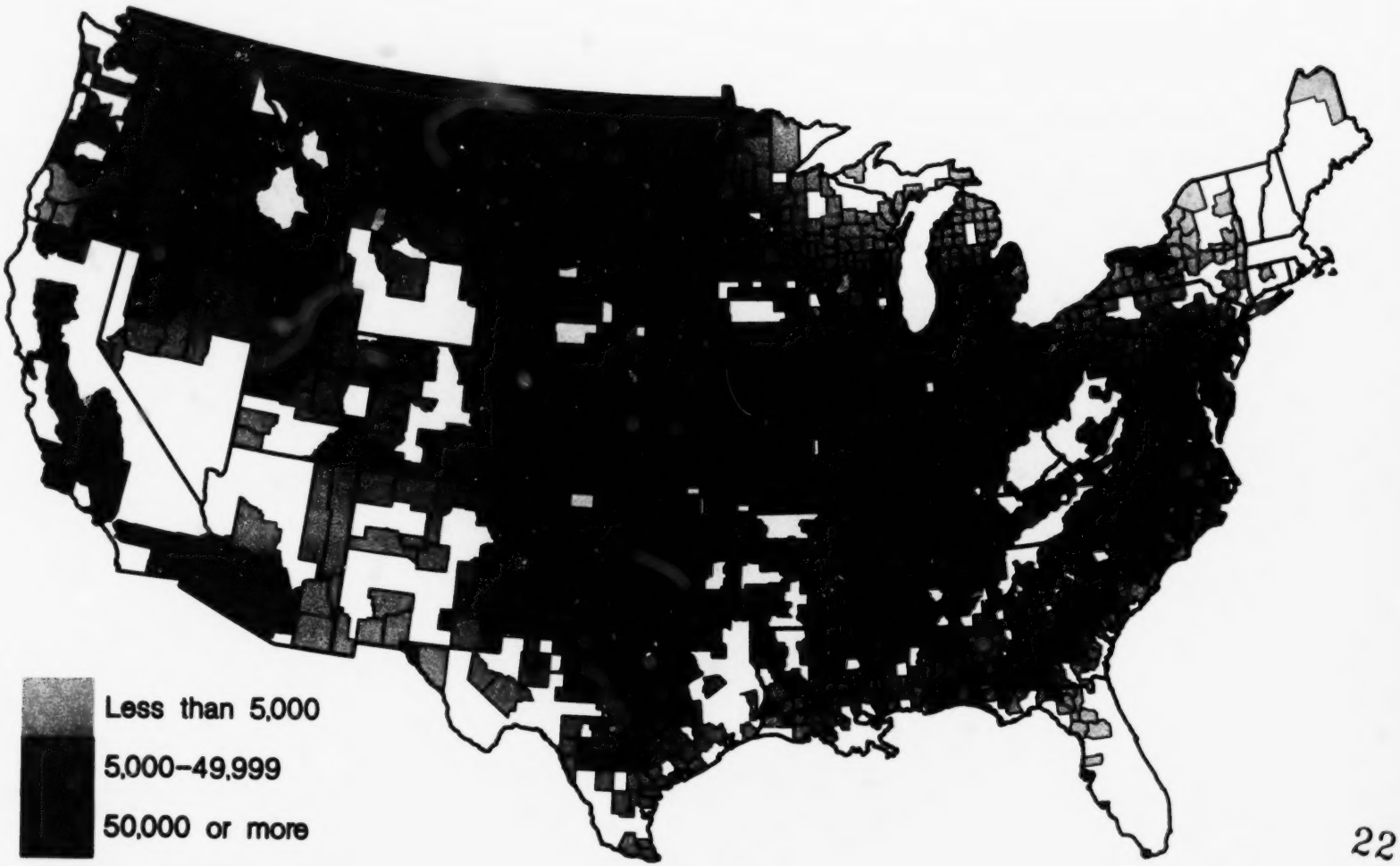
If these conditions are met, prevented planting payments will be made on the smaller of either the acreage intended to be planted to wheat or feed grains or the acreage planted for harvest in the preceding year of wheat or feed grains (including any acreage which the producer was prevented from planting to wheat, feed grains, or other nonconserving crops). The payment calculation is 75 percent of the farm program payment yield times one-third of the target price for wheat or feed grains. Payments may be made in cash or in-kind. Reduced-yield payments will be made if the total quantity of wheat or feed grains harvested on any farm is less than the potential production obtained by multiplying 60 percent of the farm program yield by the acreage planted for harvest. The payment calculation is 50 percent of the target price for the deficit in production below the 60-percent level.

Acreage Reduction

The 1985 Act continues the authority of the Secretary to require reductions in the acreage planted to wheat and feed grains. Acreage limitation, set-aside, or paid land diversion programs may be implemented if total supplies will be excessive. An acreage limitation program is commonly called an acreage reduction program or ARP. Figures 2 and 3 indicate the areas where wheat and corn are produced in the 48

Figure 2

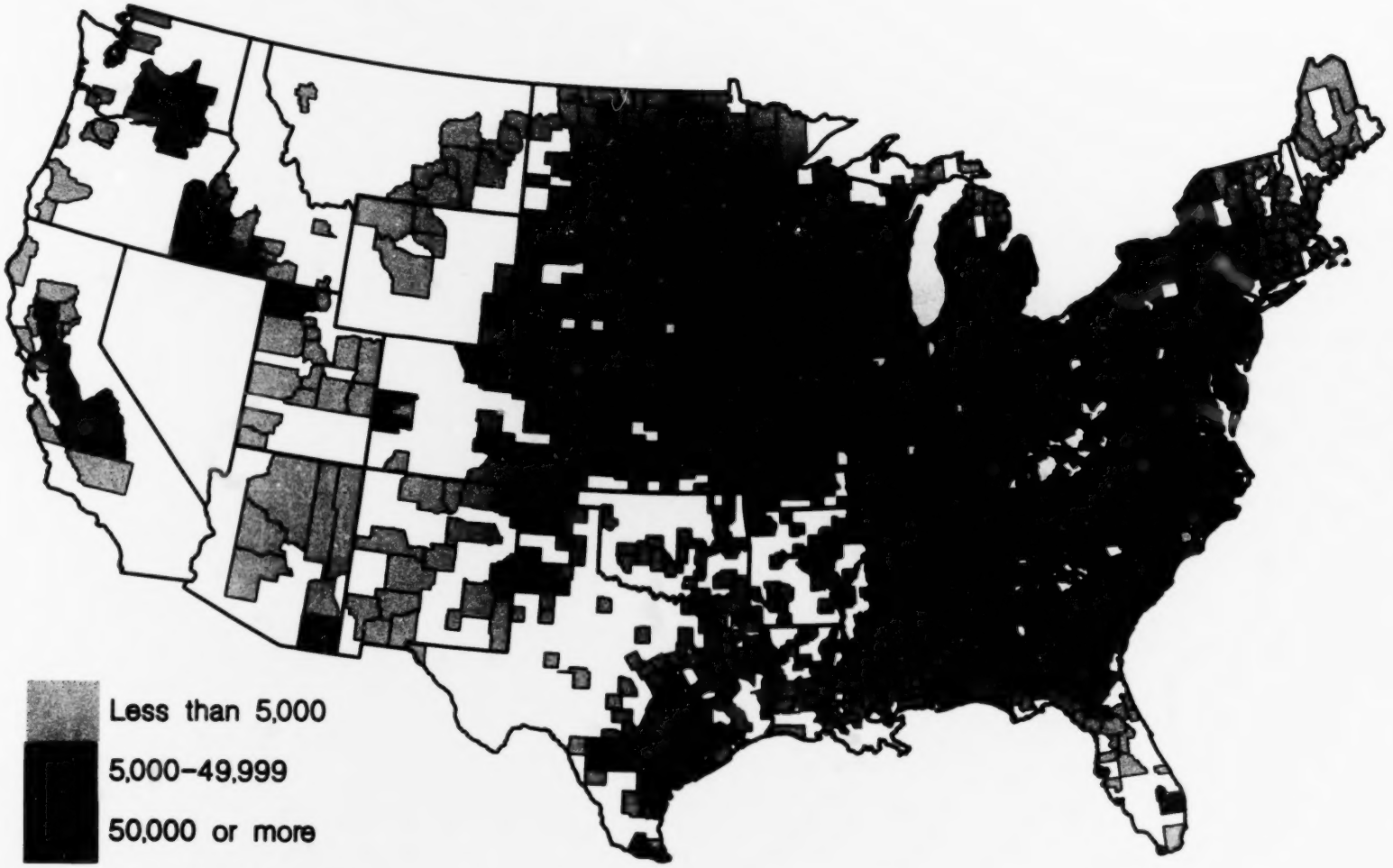
Harvested Acres of Wheat for Grain, by County, 1982



U.S. Total: 51,212,930 acres

Figure 3

Harvested Acres of Corn for Grain or Seed, by County, 1982



U.S. Total: 69,707,035 acres

contiguous States. When determining an ARP or set-aside, the number of acres placed in the conservation reserve must be considered. If an acreage reduction or set-aside program is in effect, producers must participate in the program as a condition of eligibility for wheat and feed grain loans, purchases, and payments.

USDA must announce an acreage reduction or set-aside program by June 1 for wheat or September 30 for feed grains prior to the calendar year in which the crop is harvested. Adjustments in the program can be made until July 31 for wheat or November 15 for feed grains if there has been a significant change in total supply since the program was first announced. Under the 1981 Act, the announcement dates were August 15 for wheat and November 15 for feed grains.

When an ARP has been announced, USDA determines the acreage that may be planted to the crop (permitted acreage) by uniformly reducing the crop acreage base of each farm. The percentage reductions for the 1986-90 crops of wheat and feed grains range from 0 to 30 percent for wheat and from 0 to 20 percent for feed grains, depending upon the amount of carryover stocks (tables 3 and 4). Under an ARP, a percentage of each farm's acreage must be devoted to conservation uses. The amount is determined by multiplying the number of acres required to be withdrawn by the ratio of the number of acres actually planted to the number of acres authorized to be planted under the reduction. Malting barley may be exempt from any acreage reduction requirements.

The Secretary may also operate a set-aside program rather than an acreage reduction program. If announced, producers must set aside and devote to conserving uses acreage equal to a specified percentage of the current year's acreage planted for harvest to that crop. The Secretary may adjust individual set-asides to correct for crop rotation practices and abnormal factors affecting production. If a set-aside program is established, the Secretary may also limit the acreage planted to wheat or feed grains or both.

All or part of reduced or set-aside acreage may be devoted to certain designated crops for harvest (sweet sorghum, haying and grazing, guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, or other commodities), if the Secretary determines that such production is needed to provide adequate supplies, will probably not increase the cost of price-support programs, and will not adversely affect farm income.

Table 3—Wheat acreage reduction program

Crop year	Allowable reduction	
	With carryover stocks of 1 billion bushels or less	With carryover stocks greater than 1 billion bushels
	Percent	
1986	0 - 15	1/ 15 - 22 1/2
1987	0 - 20	20 - 27 1/2
1988-90	0 - 20	20 - 30

1/ A 2 1/2-percent paid land diversion is also required with in-kind payments, if carryover stocks exceed 1 billion bushels. Producers who planted their wheat before the announcement of the 1986 program are eligible for land diversion payments ($2 per bushel) on an additional 10 percent of their crop base.

Table 4—Feed grain acreage reduction program

Crop year	Allowable reduction	
	With carryover stocks of 2 billion bushels or less	With carryover stocks greater than 2 billion bushels
	Percent	
1986	0 - 12 1/2	1/ 12 1/2 - 17 1/2
1987-90	0 - 12 1/2	12 1/2 - 20

1/ A 2 1/2-percent paid land diversion is also required, with in-kind payments, if carryover stocks exceed 2 billion bushels.

At the request of State Agricultural Stabilization and Conservation (ASC) committees, the Secretary must allow haying and grazing on reduced acreage under 1986 programs and grazing only under 1987-90 programs. Haying and grazing are not permitted on any diverted wheat and feed grain acreage during a consecutive 5-month period established by the State ASC committee.

The Secretary may also offer producers a paid land diversion (PLD) program if such payments will assist in obtaining the necessary adjustments in total acreage. A diversion program can be offered whether or not an acreage reduction or set-aside program is in effect. The diverted cropland (in addition to any reduced or set-aside acreage) must be devoted to approved conservation practices. Payment amounts may be determined by bids submitted by producers or other such means as the Secretary deems appropriate. The total acreage to be diverted in any county must be limited so as not to adversely affect the local economy. For the 1986 crops of wheat and feed grains, a 2 1/2-percent PLD is required if carryover stocks exceed 1 billion bushels of wheat and 2 billion bushels of corn; payments will be made in-kind. Producers who planted wheat prior to the announcement of the 1986 programs are also eligible for diversion payments of $2 per bushel for an additional 10 percent of their wheat base.

The Secretary may make inventory reduction payments to producers who agree to forgo obtaining loans and receiving deficiency payments and who limit the amount of wheat and feed grains planted for harvest to the crop acreage base less half of any acreage to be diverted by an ARP and PLD. Payments would be made in-kind, subject to availability. The payment rate and quantity would be the same as those determined for loan deficiency payments.

Any set-aside, reduced, or diverted acreage may be used for wildlife food plots or habitats, based on standards determined by the Secretary in consultation with wildlife agencies. The Secretary may authorize USDA to pay for part of the cost of establishing the plots. USDA may also pay for part of approved soil and water conservation practices on set-aside, reduced, or diverted acreage.

The main differences between these provisions and those in the 1981 Act are the acreage reduction percentages and how the crop acreage bases are calculated. Under the 1981 Act, the amount of acreage to be taken out of production was left to the discretion of the Secretary. Congress later changed that. The Omnibus Budget Reconciliation Act of 1982 required a 15-percent ARP and a 5-percent PLD for the 1983 wheat crop and a 10-percent ARP and 5-percent PLD for the 1983 feed grains crop. The diversion payment rates were also set in the legislation at $3 per bushel for wheat and $1.50 per bushel for corn, but the Secretary could reduce the levels by 10 percent if the program's objectives could be met with a lower rate. The PLD rates for grain sorghum, oats, and barley were set at rates fair and reasonable in relation to corn.

The Agricultural Programs Adjustment Act of 1984 mandated a 20-percent ARP and a 10-percent PLD for the 1984-85 crops of wheat. Cash payments for the land diversion were $2.70 per bushel. For the 1984 crop only, the Secretary was required to offer producers a voluntary PIK diversion program for an additional 10-20 percent of their base. The 1984 Act also authorized an ARP of up to 15 percent for the 1985 crop of feed grains.

Title X changes the formula by which crop acreage bases are calculated.

Cross Compliance

If an acreage reduction program is in effect for wheat or feed grains, the Secretary may require, as a condition of eligibility for loans and purchases, that the acreage planted to any other program crop with an ARP in effect be limited to the acreage base for that crop. Discretionary cross compliance is a provision of P.L. 99-253 (app. 2). If a set-aside is in effect, compliance with other commodity programs may be a condition of eligibility for loans, purchases, or payments.

Wheat Marketing Quotas

The Secretary is required to conduct a nonbinding poll (by mail ballot) of eligible wheat producers by July 1, 1986, to determine whether they favor mandatory production limits. To be eligible to vote, farmers must have produced at least one crop of wheat during 1981-85 on a wheat acreage base of at least 40 acres.

The Secretary may set national marketing quotas for the 1987-90 crops of wheat. If quotas are announced, a referendum must be held by August 1, 1986, to determine whether farmers (who have produced at least one crop of wheat during 1981-85) favor quotas or not. If 60 percent of those voting favor quotas, the Secretary must proclaim quotas for the 1987-90 wheat crops. Each farm's marketing quota would then be determined by multiplying the farm's average production during 1981-85, adjusted for acreage reduction programs, by the ratio of the national quota to U.S. production during 1981-85, adjusted for ARPs and natural disasters.

If marketing quotas are in effect, the target price would be established at not less than $4.65 per bushel or the national average cost of production per bushel, whichever is higher. The loan rate would be set at $3.55 per bushel, or 75 percent of the national average cost of production, whichever is higher. The cost of production, as determined by the Secretary, must reflect variable expenses, general farm overhead, taxes, insurance, interest, and capital replacement costs, but exclude residual returns for management and risk.

Other Provisions

The 1985 Act also includes the following provisions for wheat and feed grains.

Price Support for Corn Silage

During crop years 1986-90, the Secretary may make loans and purchases available to producers who cut, purchase, or exchange corn for silage and agree to participate in an acreage reduction or set-aside program. The Agricultural Programs Adjustment Act of 1984 contained similar provisions for crop years 1984-85.

Export Certificates for Wheat and Feed Grains

Title X contains provisions for two optional export certificate programs for wheat and feed grains.

Corn Marketing Year

Title X changes the marketing year for corn from October 1-September 30 to September 1-August 31.

1986 Programs

On January 13, 1986, the Secretary announced the target prices, loan rates, and acreage reductions applicable to the 1986 crops of wheat and feed grains. Target prices will be held at 1985 levels: $2.60 per bushel for barley, $3.03 for corn, $2.88 for grain sorghum, $1.60 for oats, and $4.38 for wheat. Loan rates for 1986 were set at $1.56 per bushel for barley, $1.92 for corn, $1.82 for grain sorghum, $0.99 for oats, $1.63 for rye, and $2.40 for wheat. The Secretary reduced the wheat and corn loan rates the full 20 percent from the basic levels. The feed grain target prices and loan rates are based on the feed value of barley, grain sorghum, oats, and rye compared with corn; the values are 81.5, 95, 51, and 85 percent, respectively. The required acreage reductions for 1986 are 25 percent for wheat and 20 percent for feed grains. The 2 1/2-percent paid land diversions for wheat and feed grains required by the 1985 Act are included in the reductions. Winter wheat producers who limit the acreage planted for harvest to 65 percent of their wheat base may be eligible to receive diversion payments on 10 percent of the wheat acreage base.

On January 29, 1986, the Secretary announced that producers may request 100 percent of their diversion payments and 40 percent of their projected deficiency payments when they sign up for the program. Payment rates for the 2 1/2-percent PIK paid land diversion will be $0.57 per bushel for barley, $0.73 for corn, $0.65 for grain sorghum, $0.36 for oats, and $1.10 for wheat. The cash payment rate for the additional diversion for winter wheat is $2 per bushel. Producers who have price-support loans--regular, special, or farmer-owned reserve--on any commodity on the day the advance payment is requested must make that loan collateral available to satisfy their PIK obligation. Producers who do not have commodities under loan, or producers whose commodities under loan are insufficient to meet their PIK entitlements, will be issued negotiable certificates in the net remaining monetary amount due them.

TITLE V: COTTON

The 1985 Act continues the cotton programs through crop year 1990, with some significant additions aimed at making cotton more competitive in world markets. Marketing loans--with two different repayment plans--and marketing certificates paid to first handlers of Upland cotton are required when the world market price is below the loan rate.

Target Prices and Price-Support Loans

The minimum target price for Upland cotton decreases from $0.81 per pound for the 1986 crop to $0.729 per pound for the 1990 crop (table 5). The 1981 Act, in comparison, set minimum target prices for Upland cotton that increased from 71 cents per pound to $0.86 per pound for the 1982-85 crops (app. 1). The Agricultural Programs Adjustment Act of 1984, however, eliminated the increase for 1985 and the target price remained at the 1984 level of 81 cents per pound.

Nonrecourse loans will be available for the 1986-90 crops of Upland cotton. The minimum 1986 loan rate will be at least $0.55 per pound. The loan levels for the 1987-90 crops will again be determined by using the formula in the 1981 Act:

- 85 percent of the average spot market price for Strict Low Middling 1 1/16-inch (SLM 1 1/16") Upland cotton (micronaire 3.5-4.9) at average U.S. location

Table 5—Upland cotton program levels, crop years 1986-90

Item	1986	1987	1988	1989	1990
			Cents per pound		
Target price	81	79.4	77	74.5	72.9
Loan rate	55	1/	1/	1/	1/
			Percent		
Maximum acreage reduction	25	25	25	25	25

1/ See text for the formula that will be used to determine the loan rate for crop years 1987-90.

during 3 years of the 5-year period (excluding the years with highest and lowest prices) ending July 31 in the year in which loan level is announced, or

- 90 percent of the average adjusted price of the five lowest priced growths quoted for Middling 1 3/32-inch cotton, c.i.f. (cost, insurance, freight) Northern Europe for the 15-week period beginning July 1 of the year in which the loan level is announced, whichever is lower.

The loan rate cannot be reduced by more than 5 percent from the preceding year's rate and in no event less than $0.50 per pound. The minimum in the 1981 Act was $0.55.

If the average Northern Europe price is less than the average U.S. spot market price for any crop, the Secretary may increase the loan level to no more than the average U.S. spot market price. The Secretary must determine and announce the loan level for any Upland cotton crop no later than November 1 of the calendar year preceding the marketing year for which the loan applies.

As in the 1981 Act, Upland cotton loans will mature 10 months from the first day of the month in which the loan is made. During the 10th month of the loan period, producers may extend their loan for an additional 8 months. Requests to extend the loan period will not be approved, however, when the average spot market price of SLM 1 1/16" cotton in the preceding month exceeds 130 percent of the average spot price for the preceding 36-month period.

Loan Repayment

If the world market price for Upland cotton (adjusted to U.S. quality and location) is below the loan level, the Secretary must implement a loan repayment plan (marketing loan) to make U.S. cotton more competitive in world markets. The Secretary may implement either of two plans.

- Under Plan A, producers may repay their loans at a level announced at the same time the loan rate is announced. The repayment level cannot be less than 80 percent of the loan rate and, once announced, cannot be changed.

- Under Plan B, producers may repay their loan at the prevailing world market price for Upland cotton (adjusted to U.S. quality and location) or the loan level, whichever is lower. For the 1987-90 crops, if the world market price is less than 80 percent of the loan level, producers may repay their loan at a rate (not more than 80 percent) that the Secretary estimates will minimize loan forfeitures, accumulation of stocks, and Government storage costs and that will allow free marketing of cotton in domestic and international markets.

The Secretary may offer Upland cotton producers loan deficiency payments. Producers eligible to obtain loans must agree not to receive them. As with wheat and feed grains, payments are determined by multiplying the loan payment rate (loan level minus repayment level) by the amount of cotton eligible for the loan. As much as half of the payment may be made in negotiable marketing certificates.

Marketing Certificates

The CCC must issue negotiable marketing certificates to first handlers of cotton (individuals or businesses who regularly buy or sell Upland cotton) who have entered into agreements with the CCC to participate in the certificate program if either plan A or plan B fails to make U.S. Upland cotton fully competitive in world markets and the world market price (adjusted to U.S. quality and location) is below the loan repayment rate. The value of the certificates is based on the difference between the loan repayment rate and the world market price. Handlers may redeem the certificates for cash, CCC-owned cotton, or other commodities. Certificate owners, to the extent practicable, can designate the storage facility and commodities they wish to receive. If a handler does not present a certificate to the CCC for redemption within a reasonable number of days after issuance, as determined by the Secretary, the CCC will deduct reasonable storage costs and other carrying charges from the value of the certificate. Any price restrictions on the disposition of CCC commodities do not apply to the redemption of certificates. Certificates are transferable as approved by the Secretary. Further, the Secretary must ensure that certificate commodities will not adversely affect income of producers. Payments must be made in the form of marketing certificates as necessary to make new cotton in inventory on August 1, 1986, available at competitive prices.

For both the marketing loan and the market certificates, the Secretary must issue a formula defining the world market price and a mechanism for periodic announcement of such price.

National Program Acreage

As under the 1981 Act, the 1985 Act establishes the NPA for Upland cotton at the number of harvested acres needed (based on the weighted national average of the farm program payment yields) to meet domestic and export needs, less imports, plus any desired increase or decrease in carryover stocks. The Secretary must announce the NPA for Upland cotton no later than November 1 of the preceding calendar year, and the NPA must be at least 10 million acres. The program allocation factor for Upland cotton is again computed by dividing the NPA by the number of acres the Secretary estimates will be harvested. The allocation factor may not exceed 100 percent. Whenever an acreage reduction program (ARP) is in effect, the NPA and allocation factor need not be calculated.

Farm Program Acreage

A farm's individual program acreage for Upland cotton is determined, as in the 1981 Act, by multiplying the allocation factor times the acreage planted to Upland cotton on the farm. The individual farm program acreage with an ARP in effect is the acreage on the farm planted to cotton for harvest within the permitted acreage. The permitted acreage is the crop acreage base for Upland cotton less the percentage reduction required by the ARP.

As with wheat and feed grains, if producers plant at least 50 and less than 92 percent of their permitted cotton acres and devote the rest to nonprogram crops (any agricultural commodity other than wheat, feed grains, Upland cotton, ELS cotton,

rice, or soybeans), the individual farm program acreage is set at 92 percent of the permitted acreage for the purpose of calculating deficiency payments. Any acreage considered planted may not be used as conserving acreage in any ARP or PLD.

Title X establishes the formulas by which crop acreage bases and farm program payment yields are calculated under a new acreage base and program yield system for wheat, feed grains, Upland cotton, and rice.

Deficiency Payments

USDA will again make deficiency payments to participating Upland cotton producers if the national average market price received by farmers is below the target price during the calendar year which includes the first 5 months of the marketing year. The payment rate is the difference between the target price and the national average price or the loan rate, whichever is higher. The quantity on which payments are made is determined by multiplying the individual farm program acreage by the farm program payment yield. Up to 5 percent of these payments may be made as a payment-in-kind (PIK). The total quantity on which deficiency payments are made will be reduced by the amount on which any disaster payment is made.

Disaster Payments

The disaster provisions for Upland cotton are the same as those for wheat and feed grains. (See page 9.)

Acreage Reduction

The 1985 Act continues the Secretary's authority to implement acreage reduction and land diversion programs. The Secretary must operate any acreage reduction program to result in carryover stocks of 4 million bales of Upland cotton to the extent practicable. Figure 4 shows the areas where Upland cotton is produced in the United States. The amount of acreage placed in the conservation reserve must be considered when determining the need for any acreage reduction. The Secretary must announce an ARP by November 1 of the calendar year preceding the year in which the crop is harvested. The acreage limit is determined by reducing the crop acreage base of each farm by a uniform percentage, not to exceed 25 percent.

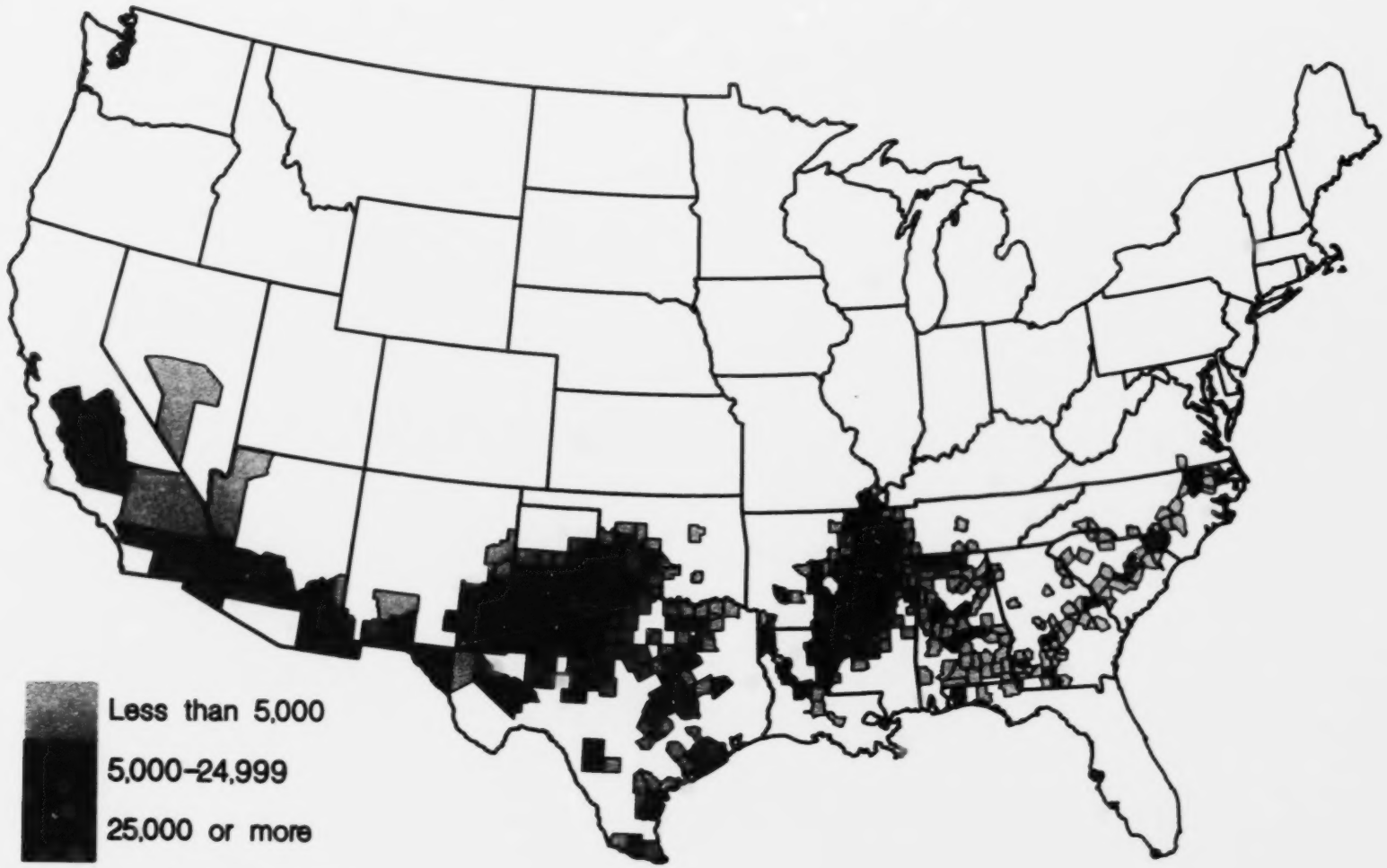
When an ARP is in effect, a certain percentage of each farm must be devoted to conserving uses. The amount is determined in the same manner as for wheat and feed grains. As with those programs, the Secretary may allow all or part of the reduced acreage to be devoted to certain designated nonprogram crops if such production is needed to provide adequate supplies, will not increase the cost of price-support programs, and will not adversely affect farm income.

The provision for haying and grazing on reduced acreage is the same as for the wheat and feed grain programs.

As under the 1981 Act, the Secretary may offer producers a paid land diversion (PLD) if such payments will help adjust the total national acreage to desired levels. Payments may be made whether or not an ARP for Upland cotton is in effect. The Secretary may determine amounts payable through the submission of bids or other means, as appropriate. The Secretary must limit the total acreage to be diverted in any county so as not to adversely affect the local economy. Diverted land must be devoted to conservation uses. Reduced or diverted acreage may again be used for wildlife food plots or habitats and the Secretary may authorize USDA to pay for part of the cost.

Figure 4

Harvested Acres of Cotton, by County, 1982



U.S. Total: 9,737,798 acres

Inventory reduction payments may be made to producers who agree to forgo obtaining loans and receiving deficiency payments and who do not plant Upland cotton for harvest in excess of the crop acreage base less half of any acreage required to be diverted from production under an ARP and PLD. Payments would be made in-kind, subject to availability. The payment rate and quantity would be the same as that determined for loan deficiency payments.

The 1981 Act gave the Secretary the discretion to set ARP and PLD levels with no restrictions. Congress later intervened with the Agricultural Programs Adjustment Act of 1984 for the 1985 crop of Upland cotton. If stocks in the United States on July 31, 1985, exceeded 3.7 million bales, the Secretary had to implement a PLD of at least 5 percent and was authorized to use an ARP of up to 20 percent. The payment rate for the PLD depended on carryover stocks on July 31, 1985--27.5 cents per pound if stocks were above the trigger level of 3.7 million bales, 30 cents per pound if stocks exceeded 4.1 million bales, and 35 cents per pound if stocks exceeded 4.7 million bales. The 1985 Act, on the other hand, limits the acreage reduced under an ARP to 25 percent and targets carryover stocks at 4 million bales.

Cross and Offsetting Compliance

The Secretary may require, as a condition of eligibility for Upland cotton loans and payments, that the acreage planted to any other program crop with an ARP in effect be limited to the acreage base for that crop. Also, USDA may not require a producer to comply with the program on one farm to be eligible for loans and payments on another.

Extra Long Staple Cotton

The Extra Long Staple Cotton Act of 1983 deleted the marketing quota and allotment provisions for extra long staple (ELS) cotton from permanent law and replaced it with program provisions similar to those for Upland cotton. Beginning with the 1984 crop, nonrecourse loans are available for a 10-month period with a possible 8-month extension. The 1983 Act sets target prices at 120 percent of the loan level. USDA makes deficiency payments to producers whenever the average market price received by producers is below the target price. The payment rate is the difference between the target price and the average market price during the first 8 months of the marketing year or the loan rate, whichever is higher.

The quantity of ELS cotton eligible for deficiency payments is determined by multiplying the farm program payment yield by the acreage planted to ELS cotton for harvest. ARP's and PLD's are authorized. Crop acreage bases and farm program payment yields are based on the average planted acreage and the actual yields during the preceding 3 years, adjusted for natural disasters.

The 1985 Act changes the calculation of the loan rates for crop years 1986-90. The loan rate formula is 85 percent of the average market price received by producers during 3 years of the 5-year period (excluding the years with the highest and lowest prices) ending July 31 in the year in which the loan level is announced. The announcement date for the loan is also changed from November 1 to December 1. Under the 1983 Act, the loan rate was set at not less than 150 percent of the Upland cotton loan level.

Other Provisions

The 1985 Act also contains the following additional provisions affecting cotton.

Special World Import Quota

The 1985 Act (like the 1981 Act) provides for a special limited global import quota for Upland cotton. The quota amount equals a 21-day domestic mill supply of cotton and will be opened up for any month in which the average spot market price of SLM 1 1/16" cotton exceeds 130 percent of the average spot market price for that quality for the preceding 36-month period. A 90-day period from the effective beginning day of the quota will be allowed for cotton entering the United States under the quota.

CCC Sales Price Restriction

The CCC minimum sales price cannot be less than 115 percent of the loan rate in effect for SLM 1 1/16" Upland cotton, with adjustments for grade, quality, location, and other factors the Secretary deems appropriate, plus carrying charges. If the marketing loan provisions are in effect, the sales price minimum is 115 percent of the average repayment rate.

Skip-row Planting

The 1985 Act continues skip-row rules for classifying acreage to Upland cotton and the area skipped.

1986 Programs

USDA announced a target price of $1.0248 per pound and a loan rate of $0.854 per pound for the 1986 crop of ELS cotton on December 31, 1985. A 25-percent ARP was also announced for Upland cotton on January 13, 1986, and a 10-percent ARP was announced for ELS cotton on February 12. Also on February 12, the Secretary announced a target price of $0.81 per pound for Upland cotton. Advanced deficiency payments (30 percent of the projected total deficiency payments) will be made in cash during the signup period (March 6-April 11) to producers who request them. The proposed formula for determining the world price, adjusted to U.S. quality and location, will be published at a later date. The loan rate and repayment rate may not be announced until after the world price is determined and announced. If the adjusted world price is determined to be below the loan rate, USDA will implement Plan A. Loan deficiency payments will be paid to eligible producers who agree to forgo obtaining loans at a rate equal to the difference between the loan rate and the repayment rate.

TITLE VI: RICE

Income support, through target prices and deficiency payments, and price support, through loans and purchases, are again available to rice producers. New provisions in the 1985 Act, marketing loans and marketing certificates, are aimed at making rice more competitive in world markets.

Target Prices and Price-Support Loans

The 1985 Act establishes minimum target prices that decrease from $11.90 per cwt for 1986 to $10.71 per cwt for 1990 (table 6). The 1981 Act established minimum target prices that increased from $10.85 per cwt for 1982 to $12.40 per cwt for 1985; the Agricultural Programs Adjustment Act of 1984 lowered the 1985 level to $11.90 per cwt (app. 1).

Table 6—Rice program levels, crop years 1986-90

Item	1986	1987	1988	1989	1990
			Dollars per cwt		
Target price	11.90	11.66	11.30	10.95	10.71
Loan rate	7.20	1/	1/	1/	1/
			Percent		
Maximum acreage reduction	35	35	35	35	5

1/ See text for the formula that will be used to determine the loan rate for crop years 1987-90.

The 1986 loan level is $7.20 per cwt. For the 1987-90 crops, the 1985 Act sets the minimum rates at 85 percent of the simple average of the season prices received by producers during the preceding 5 marketing years, dropping the years with the highest and lowest prices, but no more than 5 percent below the previous year's rate and not lower than $6.50 per cwt. The rate must be announced by January 31 (March 1 under the 1981 Act) of the calendar year in which the crop is harvested. The 1985 Act limits the loan term to 9 months beginning with the month after the application is made.

Under the 1981 Act, loan rates were adjusted proportionally to changes in the target prices. For example, if the target price increased from 1 year to the next, loan rates would increase by the same amount. The Secretary could reduce the loan level to encourage exports, but not lower than $8 per cwt.

Loan Repayment

The Secretary must offer producers marketing loans for their 1986-90 crops. Producers may repay their loans at the prevailing world market price, as determined by the Secretary, or 50 percent of the loan rate for 1986-87 crops, 60 percent of the loan rate for the 1988 crop, and 70 percent of the loan rate for the 1989-90 crops, whichever is higher. In no case may the loan be repaid at a rate higher than the announced loan level.

As a condition of repaying the loan at a lower level, the Secretary may require producers to purchase negotiable marketing certificates, redeemable for CCC-owned rice, for up to half the difference between the loan level and the repayment rate. If rice is not available in the State or at a location outside the State acceptable to the producer, the producer may redeem the certificates for cash. Producers, to the extent practicable, can designate the storage facility where they wish to exchange their certificates.

As with wheat, feed grains, and Upland cotton, the Secretary may offer loan deficiency payments. Producers eligible for loans would receive these payments in return for agreeing not to take out a loan. The payment rate is the difference between the loan level and the repayment rate. At least half of the payment must be made in marketing certificates. The Secretary must issue a formula for defining the world market price and a mechanism for periodic announcement of such price.

Marketing Loan for the 1985 Crop

Beginning April 15, 1986, producers of the 1985 rice crop may be eligible for marketing loans or loan deficiency payments. If producers have outstanding loans on April 15, 1986, they can repay the loans at the world market price, as determined by

the Secretary. Producers may be required to purchase marketing certificates for up to the full difference between the 1985 loan rate and the repayment level, redeemable for CCC-owned rice.

If producers have not sold their rice on April 15, they can receive loan deficiency payments, regardless of their eligibility for loans. The payment will be computed by multiplying the difference between the 1985 loan rate and the repayment level by the quantity of rice unsold or undelivered under a sales contract. All or part of the payment may be made in marketing certificates.

Neither the gain realized from the marketing loan nor the loan deficiency payments are subject to the $50,000 payment limitation.

Marketing Certificates

The CCC must issue negotiable marketing certificates to persons who have entered into agreements with the CCC to participate in the certificate program whenever the world price for a class of rice (adjusted to U.S. qualities and location) falls below the loan repayment rate for that class of rice. The value of each certificate is the difference between the repayment rate and the prevailing world market price for that class of rice. The certificates may be redeemed for cash, rice, or other commodities owned by the CCC. To the extent practicable, certificate owners may designate the storage facility and commodities they wish to receive. Certificates are transferable to persons approved by the Secretary. Any price restrictions on the disposition of CCC commodities do not apply to the redemption of certificates. The CCC may deduct reasonable storage costs and other carrying charges from the value of the certificates if they are not redeemed within a reasonable number of days after issuance, as determined by the Secretary. The Secretary must ensure that certificate commodities do not adversely affect income of producers.

National Program Acreage

The Secretary must announce an NPA for rice by January 31, except for those years when an ARP is in effect. The NPA for rice represents the number of harvested acres needed (based on the weighted national average of the farm program payment yields) to meet domestic and export needs, less imports. This acreage may be adjusted for any desired increase or decrease in carryover stocks. The program allocation factor for rice--between 80-100 percent--is again determined by dividing the national rice program acreage by the number of harvested acres, as estimated by the Secretary. The allocation factor is not needed when an ARP is in effect.

Farm Program Acreage

A farm's individual program acreage is the product of the allocation factor and the acreage planted to rice for harvest on the farm. However, if an ARP is in effect, the individual farm program acreage is the acreage planted on the farm for harvest within the permitted acreage (the crop acreage base less the percentage reduction specified by the ARP). If producers plant at least 50 and less than 92 percent of their permitted acreage to rice and devote the rest to conserving uses or nonprogram crops (any agricultural commodity other than wheat, feed grains, Upland cotton, ELS cotton, rice, or soybeans), then the individual farm program acreage is equal to 92 percent of the permitted acreage for the purposes of calculating deficiency payments. Any acreage considered planted under this provision cannot be used as conserving acreage in any ARP or PLD.

Title X establishes the formulas by which crop acreage bases and farm program payment yields are calculated under a new acreage base and program yield system for wheat, feed grains, Upland cotton, and rice.

Deficiency Payments

USDA will make deficiency payments to participating rice producers if the national average price received by farmers for rice during the first 5 months of the marketing year is below the target price. The payment rate is again the difference between the target price and either the national average price or the loan level, whichever is higher. The total deficiency payment is the payment rate times the farm program acreage for rice times the farm program payment yield established for the farm. Up to 5 percent of these payments may be made as a payment-in-kind (PIK). The total quantity of rice on which payments will be made to a producer in any crop year will be reduced by the quantity of rice on which any disaster payment is made.

Disaster Payments

The disaster provisions for rice are the same as those for wheat and feed grains. (See page 9.)

Acreage Reduction

The 1985 Act continues the authority of the Secretary to implement acreage reduction programs (ARP) and paid land diversions (PLD). To the maximum extent practicable, any ARP must be operated in a manner that will result in carryover stocks of 30 million cwt of rice. When determining the need for an ARP, the Secretary must consider the number of acres placed in the conservation reserve. The Secretary must announce an ARP by January 31 of the calendar year in which the rice is harvested. The acreage limit is determined by applying a uniform percentage reduction (not to exceed 35 percent) to the rice acreage base for each farm. Figure 5 shows the areas of rice production in the United States.

A percentage of the acreage on each farm must be devoted to conserving uses when an ARP is in effect. However, as under the wheat and feed grain programs, the Secretary may permit all or part of the reduced acreage to be devoted to certain designated crops for harvest if such production is needed to provide adequate supplies, will not increase the cost of the price-support programs, and will not adversely affect farm income.

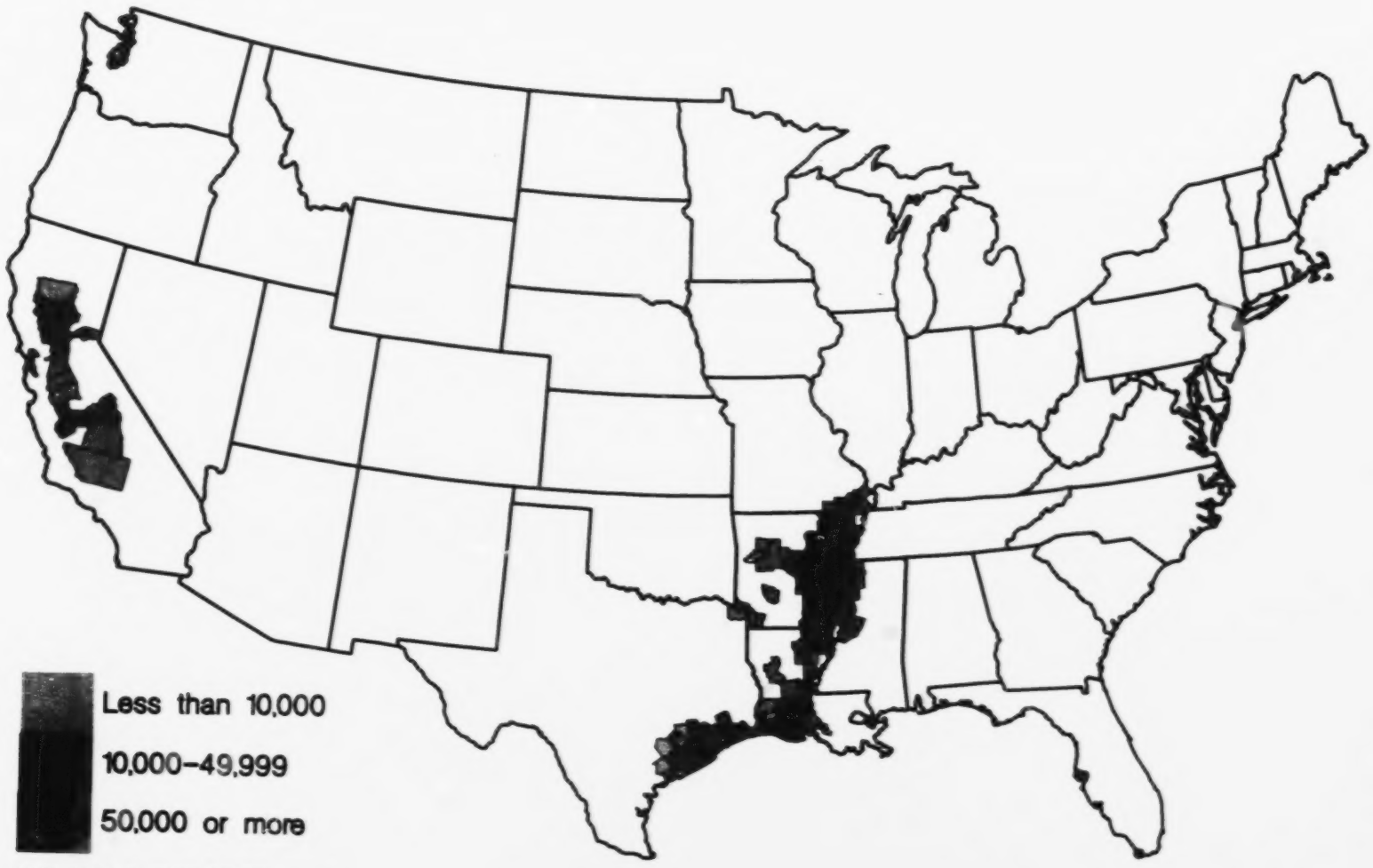
The provisions for haying and grazing on reduced acreage are the same as those for wheat and feed grains.

The Secretary may also offer a PLD to producers if such payments will assist in obtaining the necessary adjustments in total acreage. A diversion program may be offered whether or not an ARP is in effect. Diverted cropland (in addition to any reduced acreage under an ARP) must be devoted to approved conservation practices. Payments to producers under this program may be determined by the submission of bids or other such means as the Secretary deems appropriate. The Secretary must limit the total acreage to be diverted in any county so as not to adversely affect the local economy. Reduced or diverted acreage may be used for wildlife food plots or habitats, and the Secretary may authorize USDA to pay a part of the cost for such efforts.

Inventory reduction payments may be made to producers who agree to forgo obtaining loans and receiving deficiency payments and who limit the rice planted for harvest

Figure 5

Harvested Acres of Rice, by County, 1982



U.S. Total: 3,213,559 acres

to the crop acreage base less half of any acreage diverted under an ARP and PLD. Payments-in-kind will be made, subject to availability. The value of these payments, like the loan deficiency payments, are determined by multiplying the payment rate (loan level minus the loan repayment rate) by the eligible quantity of rice.

The 1981 Act allowed the Secretary to operate acreage reduction and land diversion programs with no restrictions. The Omnibus Budget Reconciliation Act of 1982, however, mandated a 15-percent ARP and a 5-percent PLD for the 1983 crop. The 1982 Act set the minimum diversion payment at $3 per cwt but allowed a 10-percent reduction if the program objectives could be met with a lower level. The Agricultural Programs Adjustment Act of 1984 later set acreage reductions for the 1985 rice crop. If U.S. stocks exceeded 25 million cwt on July 31, 1985, an ARP of 20 percent and a PLD of at least 5 percent were required. As with the 1985 Upland cotton program, the diversion payment rate depended on the amount of carryover stocks on July 31, 1985--$2.70 per cwt if stocks were above the trigger level of 25 million cwt, $3.25 per cwt if stocks exceeded 35 million cwt, and $3.50 per cwt if stocks exceeded 42 million cwt. The new features of the 1985 Act (as compared with the 1981 Act) are the 35-percent limit on reduced acreage and the 30-million-cwt target for carryover stocks.

Cross and Offsetting Compliance

As a condition of eligibility for rice loans, purchases, and payments, the Secretary may limit the planted acreage of any other program crop with an ARP in effect to the acreage base for that crop. Also, a producer cannot be required to comply with the program on one farm to be eligible for the rice program on another.

1986 Programs

On January 13, 1986, the Secretary announced a 35-percent acreage reduction program for the 1986 crop of rice, and on January 29 announced the 1986 national average loan rate for rice at $7.20 per cwt and the target price for 1986 at $11.90 per cwt.

On March 4, USDA announced that producers may request a cash advance deficiency payment of 30 percent of the projected total deficiency payment during the signup period (March 6-April 11). A proposed formula for determining the prevailing world market price for rice and a mechanism to periodically announce this price will be published at a later date. Price-support loans for the 1986 crop will have a term of 9 months beginning after the month in which the application for the loan is made. Loans may be repaid at any time during the term of the loan at 50 percent of the loan level or the prevailing world market price for rice at the time repayment is made, whichever is higher. Producers will not be offered the option of purchasing marketing certificates as a condition of repaying a loan at a reduced rate.

TITLE VII: PEANUTS

The 1985 Act continues the two-tier price-support program for quota peanuts and additional peanuts through 1990, with minor changes. The Secretary may provide disaster payments for the 1985-90 crops of peanuts.

National and Farm Poundage Quotas

The Secretary must establish a national poundage quota for each marketing year 1986-90 at a level for domestic edible, seed, and related uses, but in no case below 1.1 million tons (the 1985 quota). The national quota level must be announced by December 15 preceding the marketing year. The national poundage quota must be

apportioned among States based on their 1985 allocations. Under the 1981 Act, the national poundage quota was specified for each marketing year, beginning with 1.2 million tons in 1982 and decreasing to 1.1 million tons in 1985 (app. 1).

A farm poundage quota will be established for each farm that had a poundage quota in 1985. If the national quota is increased in subsequent years, a farm poundage quota will be established for each farm which produced and marketed peanuts in at least 2 of the 3 preceding crop years. Any increases in a State's quota must be allocated equally among farms that had a poundage quota in the preceding marketing year and farms without a poundage quota that produced and marketed peanuts in at least 2 of the 3 preceding crop years. Any decreases in a State's quota must be allocated among farms that had a quota in the preceding marketing year.

The poundage quota for an individual farm must be reduced by the amount of the quota that was not produced, or considered produced, during any 2 of the 3 preceding marketing years. All or part of a farm quota may be permanently released by the owners. The total amount of these reductions and releases must be allocated to other farms in the State that produced peanuts in any 2 of 3 preceding crop years. At least 25 percent must be allocated to farms that did not have a poundage quota in the preceding year.

Producers may voluntarily release poundage quotas to the Secretary for 1 marketing year with no effect on subsequent years' quotas. Farm poundage quotas may be adjusted for undermarketing of quota peanuts during previous years. These adjustments will not affect the national poundage quota, but they cannot exceed 10 percent of the national poundage quota in any year.

Farm Yield

A farm yield of peanuts will be established for each farm equal to the average of the actual yield per acre for the 3 crop years in which yields were the highest during crop years 1973-77. If peanuts were not produced on the farm in any 3 years during the period or if there was a substantial change in the operation during the period (including a change in the operator or irrigation practices), a yield will be appraised for the farm based on yields for similar farms in the area.

Quota Peanuts

For any marketing year, quota peanuts are once again those eligible for domestic edible use, as determined by the Secretary, that are marketed or considered marketed from a farm and that do not exceed the farm poundage quota. "Domestic edible use" means use for milling to produce domestic food peanuts, seed, and use on the farm. Not included are seeds that are unique strains, as determined by the Secretary, and not commercially available.

Additional Peanuts

"Additional peanuts" is again defined as those peanuts sold from a farm in any marketing year in excess of the amount of quota peanuts sold from that farm. Additional peanuts are also those marketed from a farm on which no farm poundage quota has been established.

Peanut Referendum

The Secretary must conduct a referendum of peanut farmers involved in the production of quota peanuts by December 15 in order to determine whether such farmers support

or oppose poundage quotas. If two-thirds of the farmers voting favor a poundage quota, then no further referenda need be held during the upcoming 5-year period. Conversely, if more than one-third of the farmers vote against a poundage quota, then there will be no quota or price support in effect for the crop produced in the next calendar year. However, a referendum must be held for the following crop by December 15 and results announced within 30 days after completion.

Sale, Lease, or Transfer of Farm Poundage Quota

Owners or operators (with the permission of the owner) may sell or lease farm poundage quotas within a county. An operator's quota may be transferred to another farm controlled by the operator that is either within the same county or in a contiguous county in the same State, providing the farm had a poundage quota in the preceding crop year. If a State's quota was less than 10,000 tons for the preceding crop, then farm poundage quotas may be sold, leased, or transferred anywhere in the State. No sale, lease, or transfer may be made from a farm subject to a lien unless all claimants agree. Also, the county committee must determine that the farm receiving the farm poundage quota has sufficient tillable cropland to produce the quota.

Marketing Penalties

The penalty for marketing peanuts for domestic edible use in excess of the farm poundage quota is 140 percent of the loan level for quota peanuts. As under the 1981 Act, additional peanuts may be purchased from growers solely for the purpose of crushing or export. A handler who fails to comply with regulations relating to the disposition and handling of additional peanuts will also be subject to a penalty of 140 percent of the quota loan rate times the quantity of peanuts involved; the handler penalty under the 1981 Act was 120 percent of the quota loan level.

CCC Resale Price

Any peanuts owned or controlled by the CCC may be available for domestic use, in accordance with regulations issued by the Secretary, if doing so does not substantially increase costs to the CCC. Additional peanuts received under loan can be sold for domestic edible use. The price must cover all Government costs and cannot be less than 100 percent of the quota loan rate if sold and paid for during the harvest season (with written consent of the producer), 105 percent of the quota loan rate if sold before December 31 of the marketing year, and 107 percent of the quota loan rate if sold after December 31.

Price Support

The national average support rate for the 1986 crop of quota peanuts must be set at the 1985 rate, adjusted for increases in an index of commodity and service prices, interest, taxes, and wages paid by producers during calendar years 1981-85. The support rate for the 1987-90 crops of quota peanuts will be the rate for the previous crop, adjusted to reflect any increases in the cost of production (excluding any change in the cost of land) during the previous calendar year. The support rate cannot be increased by more than 6 percent from the previous year, however.

Additional peanuts will again be supported at levels the Secretary determines appropriate, taking into consideration the demand for peanut oil and meal, prices of other vegetable oils and protein meals, and the demand for peanuts in foreign markets. The rate must ensure no losses to the CCC. The support rate for both

quota and additional peanuts must be announced by February 15. Loan rates for the 1982-85 crops of peanuts are listed in appendix 1.

Disaster Payments

Disaster payment provisions for the 1985-90 peanut crops are contained in title X.

1986 Programs

On January 8, the Secretary announced a national poundage quota of 1,355,500 short tons for the 1986 crop of peanuts, up 255,500 short tons from the 1985 level. On February 14, the Secretary announced a national average support level for 1986 quota peanuts of $607.47 per short ton, up $48.47 from the 1985 level. The 1986 crop of additional peanuts will be supported at $149.75 per short ton, up $1.75 from the 1985 level.

TITLE VIII: SOYBEANS

The soybean loan program is continued, with the added options of marketing loans and disaster payments.

Price-Support Loans

Title VIII requires the Secretary to support the price of soybeans through loans and purchases for the 1986-90 crops. The support price for 1986-87 is set at the 1985 level of $5.02 per bushel. For the 1988-90 crops, the support level will be 75 percent of the simple average of the season prices received by farmers during the 5 preceding marketing years, excluding the years with the high and low prices. The support level, however, cannot be reduced by more than 5 percent in any year and in no event below $4.50 per bushel. The minimum rate under the 1981 Act was $5.02 per bushel (app. 1).

If the loan level, as computed above, would discourage exports and cause excessive U.S. stocks of soybeans, the Secretary may reduce the rate by the amount necessary to maintain domestic and export markets, but no more than 5 percent a year or below $4.50 per bushel. Such a reduction cannot be used to determine subsequent years' loan rates. The 1981 Act gave the Secretary the discretion to reduce loan rates up to 10 percent if the average price received by farmers was not more than 105 percent of the loan level in any marketing year, but no lower than $4.50 per bushel.

Preliminary announcement of the price-support level must be made after August 1, while the final rate must be announced no later than October 1 and may not be less than the preliminary level. Acreage reductions in soybeans or other program crops may not be required as a condition of eligibility for price support. Soybeans for harvest may not be planted on acreage reduced, set aside, or diverted from production under any Federal program. Soybeans are not eligible for storage payments or any reserve program.

Loan Repayment

The Secretary may offer producers a marketing loan if such action would help soybeans remain competitive in domestic and export markets. Producers would repay the loan at the loan level or the prevailing world market price, whichever is lower. If a marketing loan program is used, the Secretary must issue a formula defining the prevailing world market price and a mechanism for periodic announcement of such price.

Disaster Payments

Disaster payment provisions for the 1985-90 soybean crops are contained in title X.

TITLE IX: SUGAR

The 1985 Act continues the sugar program for the 1986-90 crops of domestically grown sugarcane and sugar beets. Disaster payments and provisions for preventing loan forfeitures and protecting producers from processor bankruptcy are also included.

Price-Support Loans

The Secretary must support the price of sugarcane through nonrecourse loans at a level of not less than $0.18 per pound for raw cane sugar for all 5 crop years. Sugar beet prices must be supported through nonrecourse loans at a level that is fair and reasonable in relation to the loan rate for sugarcane. The minimum support rates for raw cane sugar under the 1981 Act ranged from $0.17 per pound for the 1982 crop to $0.18 per pound for the 1985 crop (app. 1).

The Secretary may increase the support price based on such factors as is determined appropriate, including changes during the 2 preceding crop years in the cost of sugar products or the cost of domestic sugar production, or other circumstances that may adversely affect domestic sugar production. If the support price is not increased, the Secretary must submit a report containing the findings, decision, and supporting data to Congress. The Secretary must announce the loan rate as far in advance as is practicable. Loans must be made and repaid within 1 fiscal year.

Disaster Payments

Disaster payment provisions for the 1985-90 crops of sugarcane and sugar beets are contained in title X.

Prevention of Loan Forfeitures

Title IX requires the President to either extend the current 1985/86 quota year for sugar imports (December 1, 1985-September 30, 1986) by at least 3 months to December 31, 1986, or have the sugar program administered in such a way that forfeitures of sugar--held by the CCC as collateral for price-support loans--would be no greater than the quantity that would have been forfeited had the quota year been extended.

Beginning with the next quota year, the President must use all authorities available to enable the Secretary to operate the sugar program at no cost to the Federal Government by preventing CCC accumulation of acquired sugar. Also, beginning with the new quota year, sugar import quotas will not be allocated to any country that is a net importer of sugar unless officials of that country verify that it does not export to the United States sugar previously imported from Cuba.

Protection of Producers

If bankruptcy or other insolvency on the part of a processor prevents sugar producers from receiving maximum benefits from the price-support program within 30 days after the final settlement date stated in the contract between such processors and producers, the CCC must pay the maximum benefits, less any amount previously received, on demand by producers. Proof of nonpayment by the processor may be required. Once the benefits are paid to producers, the CCC must take over and

pursue all claims against the processor or any other person responsible for nonpayment. These provisions apply to nonpayments occurring after January 1, 1985.

Title X: GENERAL COMMODITY PROVISIONS

Title X is divided into three subtitles: one relates to the calculation of acreage bases and program yields, one amends the honey program, and the other contains several miscellaneous provisions which generally relate to the commodity titles.

Acreage Base and Program Yield System

This system standardizes the calculation of farm and crop acreage bases and program yields for the wheat, feed grains, Upland cotton, and rice programs.

Farm Acreage Base

The 1985 Act creates a new farm acreage base for use beginning in crop year 1986. The Secretary, however, may forgo establishing the farm bases in 1986. For crop years 1987-90, the annual farm acreage base equals the total of the crop acreage bases established for that farm for that year, the average acreage planted to soybeans on the farm in 1986 and subsequent crop years, and the average acreage on the farm devoted to conserving uses, other than the ARP's, during 1986 and subsequent crop years. The 1981 Act did not define a farm acreage base.

Crop Acreage Base

For each of the program crops, the crop acreage base equals the average of the acreage planted and considered planted to the crop for harvest on the farm during the 5 preceding crop years. For Upland cotton and rice that was not planted or considered planted on the farm in each of the past 5 years, the crop acreage base equals the average during the years in which the crop was planted. The 1985 Act (as amended by P.L. 99-253), however, specifies that the crop bases for Upland cotton and rice cannot exceed the average acreage planted and considered planted in the preceding 2 crop years. Acreage considered planted includes (1) any reduced, set-aside, or diverted acreage; (2) acreage producers could not plant due to natural disaster or other conditions beyond the control of the producer; (3) the difference between permitted acreage and the acreage actually planted, if such acreage was devoted to nonprogram crops (other than soybeans or ELS cotton); and (4) any acreage on the farm which the Secretary determines is necessary to establish a fair and equitable crop base.

The sum of the wheat, feed grain, Upland cotton, and rice acreage bases on any farm for any crop year cannot exceed the farm acreage base for that farm in that year, unless the excess is due to an established practice of double cropping. Double cropping must have been practiced on the farm in at least 3 of the 5 preceding crop years.

Crop acreage bases may be adjusted upward in any year. The adjustment, however, is limited to 10 percent of the farm acreage base for that year. Any increase must also be matched by a decrease in one or more of the other crop bases on that farm in that year. The Secretary may suspend nationally any limit on acreage bases for a crop if a short supply or other emergency situation exists or if market factors require a suspension.

Farm Program Payment Yield

The farm program payment yield for crop years 1986-87 is the average program yield on the farm during crop years 1981-85, excluding the years with the highest and lowest yield. If no crop was produced or no program yield was established on the farm during any of those 5 years, then the farm program yield will be based on average program yields for similar farms in the area.

The Secretary may establish national, State, or county program yields based on historic yields adjusted for abnormal factors; or when data are not available, the Secretary must estimate the actual yield for the crop year in question. If any of these yields are established, the farm program payment yield must balance with county, State, or national program yields.

For the 1988-90 crops of wheat, feed grains, Upland cotton, and rice, the Secretary may either base farm program payment yields on the 1981-85 program yields, as determined above, or on the average of the yields per harvested acre during the 5 preceding crop years, dropping the years with the highest and lowest yield and any year in which no crop was planted. If the second option is used, the program yields must be based on the program yields for 1983-86 crop years and the actual yields for the 1987 and subsequent crop years.

USDA may not establish a farm or crop base or program yield for a farm if the producer is subject to sanctions for cultivating highly erodible land or converted wetland. Title XII details these conservation provisions.

Under the 1981 Act, the acreage base for each crop was the acreage planted for harvest in the preceding crop year, including any acreage producers could not plant because of conditions beyond their control. At the discretion of the Secretary, the base could have been the average acreage planted for harvest in the 2 preceding crop years. The farm program payment yield for wheat and feed grains, under the 1981 Act, was the program yield established for the farm for the previous crop year, adjusted by the Secretary to provide a fair and equitable yield. For cotton and rice, the program yields were based on the actual yield per harvested acre for the 3 preceding years, with adjustments for natural disasters.

Honey

The 1985 Act sets the loan levels for the 1986 and 1987 crops of honey at $0.64 and $0.63 per pound, respectively. The loan and purchase levels for the 1988-90 crops will be the rate from the previous year reduced by 5 percent, but the level cannot be less than 75 percent of the average price received by producers in the preceding 5 crop years, dropping the years with the highest and lowest prices. Permanent legislation, the Agricultural Act of 1949, had required that the honey loan level be set between 60 and 90 percent of parity (app. 1).

As with wheat, feed grains, and soybeans, the Secretary may offer marketing loans. Producers would repay the loans at a level the Secretary determines will minimize loan forfeitures, not result in excessive stocks, reduce Government storage costs, and maintain competitiveness of honey in domestic and export markets. If the Secretary determines that a person knowingly pledged adulterated or imported honey as collateral for a loan, such person will be ineligible for loans and purchases for 3 succeeding crop years in addition to any other penalty prescribed by law.

Payment Limits and Payment Review

Payments received under the wheat, feed grain, Upland cotton, ELS cotton, and rice programs are again limited to $50,000 for all payments per person per year except for disaster payments, which are limited to $100,000 per person per year. The payment limit does not include (1) loans and purchases; (2) compensation for public recreation or resource adjustment, excluding land diversion payments; (3) any gain realized from repaying a marketing loan at a level lower than the announced loan rate; (4) any deficiency payments made as a result of lowering the basic loan rate under the wheat and feed grain programs; (5) any loan deficiency payments; (6) any inventory reduction payments; or (7) any benefits received as a result of any cost reduction actions by the Secretary. As under the 1981 Act, payment limits do not apply to land owned by States or State agencies if the land is farmed primarily to further a public function.

The 1985 Act adds ELS cotton to the provisions in the Agricultural Act of 1938 concerning payments made under the wheat, feed grain, Upland cotton, or rice programs. The facts used to determine such payments are final and not subject to review if they conform to regulations issued by the Secretary or the CCC.

Advance Deficiency and Diversion Payments

The Secretary must make advance deficiency payments available to producers who participate in the 1986 wheat, feed grain, Upland cotton, and rice programs if an acreage limitation or set-aside has been established and it is likely that deficiency payments will be made. Such payments may be made for the 1987-90 crops. The payments must be made as soon as practicable after the producer signs the contract agreeing to participate in the program. Advance payments may not exceed 50 percent of project deficiency payments and may be made in cash, CCC-owned commodities, or any combination thereof. Up to half of the advance payments may be made in commodities or certificates, with the producer choosing which to receive. Certificates must be redeemed within 3 years of issuance, with the CCC paying the storage costs until they are redeemed.

If land diversion payments are made in any crop year, the Secretary may also advance at least 50 percent of those payments to producers.

Advance Recourse Commodity Loans

The Secretary may make advance recourse loans available to producers for commodities with nonrecourse loan programs, if such action is necessary to provide adequate operating credit to producers. The recourse loans may be made under terms and conditions prescribed by the Secretary, except that producers must obtain crop insurance.

Interest Payment Certificates

The Secretary may provide negotiable certificates to producers who repay their wheat, feed grain, Upland cotton, or rice loans with interest. The amount of the certificate would equal the interest paid, redeemable for any of the those commodities owned by the CCC, subject to availability.

Payment in Commodities

Titles III through VI authorize the Secretary to make payments-in-kind (PIK). Such payments (except marketing certificates for Upland cotton and rice) may be made by

delivering the commodity to the producer at a warehouse or similar facility, transferring negotiable warehouse receipts, issuing negotiable certificates redeemable for CCC commodities, or other methods the Secretary determines appropriate.

Wheat and Feed Grain Export Certificate Programs

This section provides two optional export certificate programs for the 1986-90 crops of wheat and feed grains.

Cash Export Certificate Program

The Secretary may establish a program to encourage exports of wheat or feed grains from private stocks. Producers who participate in the wheat and feed grain programs would receive export certificates. Each certificate would specify both a monetary value and a quantity of the commodity. The total amount of wheat or feed grains covered by the certificates is determined by multiplying the export production factor times the total acreage planted by program participants times the average farm program payment yield. The export production factor is the estimated quantity of the crop available for export divided by the estimated domestic harvest.

Certificates would be distributed to eligible producers so that each receives certificates having an aggregate face value equal to the rate of return for that crop. In calculating the rate of return, the Secretary must consider regional marketing costs including transportation. Certificates would be redeemable for cash or, at the option of the Secretary, the commodity involved only when the holder has exported an amount of the crop (including processed wheat or feed grains) equal to the quantity designated on the certificate.

If sufficient funds are available, the CCC must spend a certain amount of money to carry out the program. The amount is calculated by multiplying the acreage planted for harvest by participating producers times the average program yield for the crop times $0.21 per bushel for wheat, $0.11 per bushel for corn, and rates the Secretary deems reasonable for grain sorghum, oats and, if designated, barley. Any funds used under this program must be in addition to funds authorized for other export promotion programs. The CCC may buy and sell certificates.

Export Marketing Certificates

The Secretary may issue export marketing certificates denominated in bushels of wheat or feed grains to producers who participate in those programs and who also comply with the following provisions. If no acreage reduction or set-aside is in effect, producers must limit the acreage planted for harvest to the crop acreage base and, if an ARP is in effect, comply with the reduction specified by the program. At least 3 months before the beginning of the marketing year, the Secretary must issue export marketing certificates to eligible producers who planted at least 50 percent of their wheat or feed grain crop base. The aggregate amount of certificates must equal total exports as estimated by the Secretary for the marketing year.

Producers would receive certificates for their share of the export crop, determined by multiplying the ratio their crop acreage base has in relation to the total acreage bases of all participating producers times total exports, rounded up to the nearest full bushel. Any certificates issued would apply only to the upcoming marketing year. If estimated exports exceeded the sum of certificates issued 7 months after the beginning of the marketing year, the Secretary may issue additional certificates to producers who initially received them.

When producers sell their crops during the marketing year, they also turn over the export certificates to the buyer. If the producer has less wheat or feed grains to sell than the quantity listed on the certificates because of reduced yields or other reasons, the producer may sell the certificates to any person before the end of the marketing year. The CCC may buy and sell certificates to facilitate their use.

No person would be able to export wheat or feed grains (including products thereof) without surrendering the accompanying marketing certificates to the Secretary at the time of export. Failure to comply could carry fines up to $25,000, 1 year in prison, or both. These provisions would not apply to commodities owned by the CCC or provided to exporters as part of an export promotion program. This program, if implemented, would divide the market; participants would be able to sell their crop in both the domestic and export markets, while nonparticipants would be limited to selling their commodities in the domestic market only.

CCC Sales Price Restrictions

The CCC may not sell any of its wheat, corn, grain sorghum, barley, oats, or rye stocks at less than 115 percent of the current national average loan rate, adjusted for current market differentials plus carrying charges. If the marketing loan provisions are in effect, the sale price cannot be less than 115 percent of the average loan repayment rate for the crop.

Disaster Payments for the 1985-90 Crops of Peanuts, Soybeans, Sugar Beets, and Sugarcane

Disaster payments may be made available to producers, at the discretion of the Secretary, for any of the 1985-90 crops of peanuts, soybeans, sugar beets, or sugarcane because of drought, flood, or other natural disaster. Prevented planting payments will be based on the acreage intended to be planted to the commodity or the acreage planted for harvest in the preceding year (including any acreage which the producer was prevented from planting to such commodity, or other nonconserving crops), whichever is smaller. The payment is calculated as 75 percent of the farm program payment yield times 50 percent of the loan and purchase level for the crop. Reduced yield payments will be made if the total quantity of the crop harvested on any farm is less than the potential production obtained by multiplying 60 percent of the farm program yield by the acreage planted for harvest. The payment calculation is 50 percent of the loan level for the deficit in production below the 60-percent level.

Cost Reduction Options

The Secretary is required to implement one or more of the following cost reduction options whenever the options would reduce direct and indirect Government costs of a commodity program without adversely affecting the income of small- and medium-sized producers participating in the program. First, the Secretary may purchase a commodity from commercial markets when a nonrecourse loan program is in effect for that commodity, if such purchases will probably be less than the comparable cost of acquiring the commodity through loan defaults later. Second, the Secretary may provide for settlement of a nonrecourse loan at less than the total amount of principal and accumulated interest due if the settlement would yield savings to the Government. In no case may the settlement be reduced below the amount of principal due. Third, when a production control or loan program is in effect for a major commodity, the program may be reopened any time prior to harvest if the Secretary determines that (1) domestic or world supply and demand conditions have substantially changed, and (2) without further adjustments, the Government and

producers will be faced with burdensome surpluses. The Secretary would accept bids from participating producers to convert planted acreage to conserving uses. Such bids would be for payments-in-kind and would not be subject to the $50,000 payment limitation, but would be limited to $20,000 per year per producer for each commodity.

Multiyear Set-Asides

The Secretary may enter into multiyear set-aside contracts with producers as part of the programs in effect for the 1986-90 crops of wheat, feed grains, Upland cotton, and rice. The contract period, however, may not extend beyond the 1989 crop year. Only producers participating in one or more of the programs would be eligible for the contracts. Producers would be required to devote the set-aside acreage to a vegetative cover, with the Secretary providing cost-sharing incentives. Grazing would be prohibited, unless the area was declared a disaster area by the President and the Secretary found there was a need for grazing as a result of the disaster.

Supplemental Set-Aside and Acreage Reduction Authority

For the 1986-90 crops of wheat and feed grains, the Secretary again has the authority to announce a set-aside or acreage reduction program if such action is needed because of an embargo ordered by the executive branch of the Federal Government.

Grain Reserves

Title X continues two grain reserve programs.

Farmer-Owned Reserve (FOR)

The 1985 Act revises the farmer-owned reserve. To promote orderly marketing in times of abundant supply, the Secretary must again provide original or extended price-support loans to encourage producers to store wheat and feed grains for extended periods. The loans are made for 3 years and may be extended as warranted by market conditions. Loans were made for 3-5 years under the 1981 Act. FOR loan rates must be at least the current loan level or higher, as determined by the Secretary.

Whenever the market price for the commodity has attained a specified level (commonly known as the release price), the Secretary may increase the interest rate on loans that have been made and may design other methods to encourage producers to redeem their loans and market their grain. The release level is set at 140 percent of the regular loan rate announced for the crop or the corresponding target price, whichever is higher. Under the 1981 Act, the release price was determined by the Secretary.

The upper limit on the amount of grain placed in the reserve is now specified as a percentage of the estimated total domestic and export use during the marketing year--30 percent for wheat and 15 percent for feed grains. The limits may be increased by 10 percent if the Secretary determines higher levels are necessary. The 1981 Act authorized the Secretary to set upper limits, but at no lower than 700 million bushels for wheat and 1 billion bushels for feed grains. The 1985 Act sets minimum levels at 17 percent for wheat and 7 percent for feed grains of the estimated total domestic and export use. If the amount of stocks in the FOR is below these levels or if the market price is below the release price, the Secretary must encourage producer participation by offering increased storage payments, interest waivers, or other incentives.

Producers will again be penalized if they redeem their wheat or feed grain loans when reserve stocks are below the upper limits and market prices are below the release level. The Secretary may recover storage payments and assess additional interest or other charges. The interest rate charged participants in the program will not be less than the interest rate charged the CCC by the U.S. Treasury, except that the Secretary may waive or adjust such interest as necessary. Loans may be called in prior to the maturity date only if the Secretary determines that emergency conditions exist which require that such commodities be made available in the market to meet urgent domestic or international needs. As with the 1981 Act, the 1985 Act provides that whenever the reserve loan program is in effect, the CCC cannot sell any of its wheat or feed grains stocks at less than 110 percent of the release level. This restriction will not apply to sales of corn used for gasohol production, commodities which have substantially deteriorated, or sales or disposals from the emergency feed program.

Food Security Wheat Reserve

The food security wheat reserve, created to provide wheat for emergency food needs in developing countries, is extended until September 30, 1990.

Normally Planted Acreage

Whenever a set-aside is in effect during crop years 1986-90 for wheat or feed grains, or both, the Secretary may limit a farm's normal crop acreage. Producers who fail to comply would be ineligible for loans, purchases, and payments under the wheat and feed grain programs. If marketing quotas are in effect for any of the 1987-90 crops of wheat, normal planted acreage would be limited to the farm's individual program acreage.

Special Grazing and Hay Program

Authority for the special wheat acreage grazing and hay program is continued through the 1990 crop year.

Advance Program Announcement

The Secretary may offer producers an alternative program for any of the 1987-91 crops of wheat, feed grains, Upland cotton, and rice. If the Secretary has not made final program announcements in any county before a certain date, producers could choose between the program announced for that crop year or the alternative. For any county, the date would be 60 days prior to planting (as determined by the Secretary) or June 1 for wheat, September 30 for feed grains, November 1 for Upland cotton, and January 31 for rice, whichever is later.

Under the alternative program, producers would be eligible for loans and payments by complying with any acreage reduction program established for the previous year. For the 1987-90 crops, loans would be made at levels announced for the current year. Deficiency payments would be calculated on the same basis as they were calculated in the previous year. Cash or in-kind payments, equal to the difference between the current year's loan level and previous year's loan level, would also be made. For the 1991 crop, loans would be made at 1990 levels and deficiency payments would be based on 1990 target prices. Cash or in-kind payments would be based on the difference between the 1990 and 1991 loan rates. The farm's crop acreage base and program payment yield would be those established for the farm in the preceding crop year.

Normal Supply

If the supply of wheat, corn, Upland cotton, or rice during the marketing year for any of the 1986-90 crops is not likely to be excessive and acreage controls are not necessary, as determined by the Secretary, the total supply of the commodity is deemed not to exceed normal supply. No contrary decision can be made for that marketing year.

Marketing Year for Corn

The marketing year for corn is changed from October 1-September 30 to September 1-August 31.

Federal Crop Insurance

The Federal Crop Insurance Corporation (FCIC) may borrow money from the CCC any time FCIC has insufficient funds to pay farmers' claims for insured crop losses.

The Secretary must conduct a study examining (1) the FCIC practice of offsetting a producer's winter and spring wheat crops to determine benefits due under Federal crop insurance policies, and (2) the feasibility of including winterkill of winter wheat as a loss covered by crop insurance. The report, including recommendations, is due to Congress by June 21, 1986.

Cost of Production Review Board

The National Agricultural Cost of Production Standards Review Board is extended for 5 years to September 30, 1990. The 1985 Act also adds a provision that allows a member of the board to serve for more than one term.

Liquid Fuels

The CCC may make commodities available for sale at no or reduced cost to encourage production of liquid fuels.

TITLE XI: TRADE

The 1985 Act changes or expands several food aid and export promotion activities. Some changes are meant to stimulate private sector development in recipient countries; others allow nongovernment organizations to sell some donated food aid to help finance distribution of the remainder. Targeted assistance and intermediate credit guarantee programs supplement export promotion programs. The 1985 Act exempts specific commercial program shipments from cargo preference requirements and increases the mandated percentage of food aid shipments to be carried on U.S. flag vessels.

U.S. Food Assistance

Significant changes in U.S. food aid programs affect their developmental assistance. The 1985 Act amends the policy objectives contained in Public Law (P.L.) 480 to authorize the use of foreign currencies accruing under the program to encourage development of private enterprise and enhance food security in developing countries through local food production. A new Food for Progress program is authorized to use U.S. food resources more effectively to support countries that have made commitments to introduce or expand free enterprise elements in their

agricultural economies. In another change, private voluntary organizations (PVO's) that distribute food aid will have greater ability to sell some of the donated commodities to help distribute the remainder. Donations authorized under section 416 of the Agricultural Act of 1949, as amended, are expanded in types and volume of commodities.

P.L. 480 Title I

Under title I, a foreign government purchases U.S. agricultural commodities with long-term concessional credit and generates local currencies when it sells them on its domestic market. Changes in the program shift the benefits of some of those revenues from the public to the private sector in the recipient country. At least 10 percent of the resources of the title I program, in the form of local currencies, would be loaned to private financial intermediaries (such as banks, cooperatives, or nonprofit voluntary agencies), which, in turn, are to loan those funds to private enterprises within the recipient country. The United States will enter into a loan agreement with the financial intermediary for these local currencies and must be repaid in a manner that will permit conversion of the local currencies to dollars. The 10-percent minimum may be waived if the President determines that its enforcement would significantly reduce the level of agricultural commodities furnished under title I. The United States may not enter into agreements if the currencies generated under the program could not be productively used and absorbed in the private sector of the recipient country. The program may not be used to promote the production of agricultural commodities that would compete in world markets with U.S. agricultural products. To the maximum extent practicable, 5 percent of the repayments from the U.S. Government loan to the intermediaries are authorized for technical assistance, including market development activities, among other uses. The President must annually report to Congress on activities carried out under the program.

P.L. 480 Title II

Title II authorizes commodity donations through government-to-government agreements, PVO's, and the World Food Program (WFP). The minimum tonnage requirement of title II is set at 1.9 million tons in fiscal years 1987-90, of which 1.425 million tons for nonemergency programs must be distributed through PVO's, cooperatives, and the WFP. Until 1985, the previous minimum had been 1.7 million tons, of which 1.2 million tons had to be distributed through PVO's and the WFP. The International Security and Development Cooperation Act of 1985 set minimum levels at 1.8 million tons and 1.9 million tons in fiscal years 1986 and 1987, respectively, with at least 1.3 million tons and 1.425 million tons to be distributed by PVO's and the WFP, respectively. The new minimums may be waived if the President determines and reports to Congress that the commodities cannot be used effectively.

The President must ensure that at least 75 percent of the nonemergency minimum be processed, fortified, and/or bagged commodities, although this requirement may be waived. No such minimum had been set before.

At least 5 percent of the aggregate value of donated commodities distributed under nonemergency title II programs may be sold by PVO's within the recipient countries. A PVO must include in its request for title II commodities a description of the intended uses of the foreign currencies that would be generated by such sales.

The title II funding authorization has been changed from a calendar year basis to a fiscal year basis, and the ceiling on the authorization level ($1 billion) may be waived by the President.

Food for Progress

The 1985 Act authorizes a new, multiyear Food for Progress program to assist developing countries committed to market-oriented agricultural policy reform. Food for Progress is to distribute at least 75,000 tons annually under authority of section 416 of the Agricultural Act of 1949, as amended by the 1985 Act. P.L. 480 title I funds may finance additional commodities. CCC spending may not exceed $30 million (exclusive of the cost of the commodities). A maximum of 500,000 tons per year through fiscal year 1990 is set. The CCC may purchase commodities for use under this program if CCC stocks are insufficient. Food for Progress shipments should not displace commercial sales of U.S. commodities. Annual reports to Congress on the program's operations are required.

Section 416

Section 416 of the Agricultural Act of 1949, as amended, previously allowed overseas donations of CCC dairy products, wheat, and rice. The 1985 Act expands the types of commodities that may be donated, adding other grains, oilseeds, and other edible agricultural commodities acquired by the CCC. Commodities may not be used in this program in amounts that will reduce the amounts available for domestic programs. The commodities may not be furnished to a country if that country is unable to use the commodities efficiently and effectively. Similarly, the commodities may not be provided if their distribution interferes with usual marketings of the United States or disrupts world prices of agricultural commodities and normal patterns of commercial trade with developing countries. The requirement for safeguarding usual marketings of the United States must not be used to prevent providing commodities to countries that have not traditionally purchased the commodities from the United States or that cannot purchase the commodities from the United States through commercial or concessional arrangements. The commodities provided under this authority are to supplement those provided under P.L. 480.

The 1985 Act allows, for specified purposes, the sale or barter of at least 5 percent of the aggregate value of commodities and products furnished under this program to PVO's and cooperatives. The organizations that sell or barter the commodities must report annually to the Secretary, who, in turn, must report to Congress on such operations.

Although the permanent legislation did not specify minimum quantities, the 1985 Act requires an annual minimum of 500,000 tons or 10 percent of CCC's uncommitted stocks of grains and oilseeds, whichever is less, and 10 percent of CCC's uncommitted dairy stocks, but not less than 150,000 tons, to the extent that dairy stocks are available. Of these quantities 75,000 tons are to be distributed through the Food for Progress program. The minimum volumes may be waived under specified conditions. Commodities distributed under authority of section 416 may be furnished in connection with P.L. 480 title I sales or agricultural export bonus or promotion programs.

Special Assistant for Agricultural Trade and Food Aid

The 1985 Act establishes the position of a Special Assistant for Agricultural Trade and Food Aid who will advise the President on trade and aid issues. Among other responsibilities, the assistant must annually submit a report to the President and Congress containing a global analysis of world food needs and production, an identification of at least 15 target countries most likely to emerge as growth markets for agricultural commodities in the next 5-10 years, and a detailed plan for using available export and food aid authorities to increase U.S. agricultural exports to those targeted countries.

Other Food Aid Provisions

The 1985 Act reduces the minimum share of P.L. 480 title I funds allocated for P.L. 480 title III (Food for Development) from 15 to 10 percent. Child immunizations are specified both as a self-help measure under title I and as a title II activity. At least 0.1 percent of P.L. 480 funds will support a "farmer-to-farmer program," a technical assistance program, in fiscal years 1986 and 1987. A maximum of 25 percent of these funds may be channeled through such institutions as land-grant universities. The 1985 Act reauthorizes P.L. 480 through 1990.

Maintenance and Development of Export Markets

The export market development subtitle outlines U.S. agricultural trade policy and authorizes several export promotion programs and measures to stimulate lagging overseas sales. Contract sanctity is upheld. The 1985 Act mandates collection of information on certain trade practices of other countries.

Agricultural Trade Policy

The 1985 Act defines the goals of U.S. agricultural trade policy as follows:

- To provide through all means possible agricultural commodities and products for export at competitive prices, with full assurance of quality and reliability of supply;
- To support the principle of free trade and the promotion of fairer agricultural trade;
- To cooperate fully in all efforts to negotiate reductions in barriers to fair trade;
- To aggressively counter unfair trade practices;
- To remove foreign policy constraints to maximize U.S. economic interests through agricultural trade; and
- To provide for consideration of U.S. agricultural trade interests in the design of national fiscal and monetary policy that may foster continued strength of the dollar.

Trade Negotiations and Consultations

Through the 1985 Act, Congress urges the President to negotiate with other parties to the General Agreement on Tariffs and Trade (GATT) to revise its rules and codes with the goal of reducing agricultural export subsidies, tariffs, and nontariff trade barriers. The Secretary must, in coordination with the U.S. Trade Representative, confer with representatives of other major agricultural producing countries to initiate and pursue agricultural trade consultations. Annual reports on progress of the consultations are due to Congress starting July 1, 1986.

Export Credit and Credit Guarantee Programs

The 1985 Act establishes a new intermediate credit guarantee program to supplement existing CCC credit and credit guarantee programs. The existing short-term credit guarantee program (on credit of up to 3 years) is authorized at $5 billion annually through fiscal year 1990, the same level as in fiscal year 1985. The fee charged

users of the program may not exceed 1 percent of the credit extended under the transaction. The 1985 Act amends the intermediate credit programs to allow intermediate credit guarantees (on credit of 3-10 years). To guarantee export sales, the CCC must make available not less than $500 million through fiscal year 1988, and not more than $1 billion in fiscal year 1989. The agricultural export credit revolving fund is reauthorized through fiscal year 1990, although no funding level is specified.

Targeted Assistance

Under a targeted assistance program, the Secretary must provide annually $325 million or an equal value of CCC commodities specifically to counter or offset the adverse effect of subsidies, import quotas, or other unfair trade practices. The term "subsidy" includes an export subsidy, tax rebate on exports, financial assistance on preferential terms, financial assistance for operating losses, assumption of costs or expenses of production, processing, or distribution, a differential export tax or duty exemption, a domestic consumption quota, or other method of furnishing or ensuring the availability of raw materials at artificially low prices. The 1985 Act authorizes priority assistance to producers of those agricultural commodities which have been found to have suffered from unfair trade practices under section 301 of the Trade Act of 1974 or which have suffered from retaliatory actions related to such a finding.

Market Development and Expansion

Under another program, at least $2 billion in CCC commodities must be provided through fiscal year 1988 to U.S. exporters, users, processors, or foreign purchasers at no cost to encourage the development, maintenance, and expansion of U.S. agricultural export markets. The goal of this program is to help make U.S. commodities more competitive by offsetting subsidies or other unfair trade practices, the adverse effects of price support levels temporarily above competitors' export prices, or fluctuations in exchange rates. These commodities will, as necessary, be used in conjunction with intermediate export credit programs for the export sale of breeding animals and for the establishment in developing countries of facilities to assist agricultural imports. Also, under this program, the Secretary may make available to commercial exporters transferable "green dollar export certificates" to be redeemed within 6 months of issuance for CCC commodities.

The 1985 Act requires equal treatment of domestic and foreign purchasers and users in cases where U.S. imports of manufactured products made with these commodities would place domestic users at a competitive disadvantage. Among foreign purchasers, priority shall be given to those who are traditional purchasers of U.S. agricultural commodities and products and who continue to purchase a greater amount of them than in a previous representative period. The 1985 Act requires that reasonable precautions be taken to prevent resale of the commodities and to avoid displacement of usual U.S. marketings.

If a country fails to meet the financial qualifications for the CCC export credit and credit guarantee programs, the Secretary may provide agricultural commodities and products to them to the extent necessary, at reduced cost, so they may meet the qualifications.

In those export promotion programs which include a bonus or incentive payment, the Secretary must try to use 15 percent of the program funds (or value of the commodities involved) annually to promote exports of poultry, beef, or pork meat and meat products.

Pilot Barter Program

Under section 416, a pilot barter program for strategic materials is authorized for at least two countries in fiscal years 1986-87. Private trade channels are to be used to the extent practicable. The Secretary must submit a report on the operation of the program to Congress after the end of each fiscal year.

Cooperator Market Development Program

In the 1985 Act, Congress urges the continuation of the cooperator market development program of the Foreign Agricultural Service (FAS). That program helps develop new markets and expand and maintain existing markets for U.S. agricultural commodities. FAS should work with nonprofit agricultural trade organizations as much as possible. Congress also encourages greater funding for promotion of value-added and processed products.

Agricultural Attache Reports

The Secretary must require USDA officers and employees, including those stationed abroad, to annually submit reports documenting other countries' programs that provide direct or indirect support for agricultural exports and that impede the entry of U.S. agricultural exports. Such reports should also identify U.S. agricultural export opportunities. The Secretary must report this information to Congress and others.

The U.S. Trade Representative, after reviewing these reports and other information, must identify export subsidies or export promotion techniques and identify markets (in order of priority) in which U.S. export subsidies can be used most efficiently in offsetting benefits of foreign export subsidies. The Trade Representative must report these findings to the Secretary and Congress.

The Secretary and the Trade Representative must convene a meeting, at least once a year, of the Agricultural Policy Advisory Committee and the agricultural technical advisory committees to develop specific recommendations for actions to be taken by the Federal Government and private industry to reduce or eliminate trade barriers and to expand U.S. agricultural export opportunities.

Contract Sanctity and Producer Embargo Protection

The 1985 Act further defines the goals of U.S. trade policy as follows:

- To foster and encourage agricultural exports;
- To not restrict or limit the export of such commodities and products except under the most compelling circumstances;
- To prohibit or limit the export of such commodities or products only in time of a national emergency declared by the President under the Export Administration Act; and
- To honor contracts entered into before the imposition of any prohibition or limitation on the export of such commodities or products.

The 1985 Act also adjusts compensation to producers of commodities for which export controls are imposed.

Study to Reduce Foreign Exchange Risk

The Secretary must study the feasibility, practicability, and cost of implementing a program to reduce the risk of foreign exchange fluctuations encountered by buyers of U.S. agricultural exports under export credit programs. The study is to determine whether agricultural exports, under export credit programs, would be enhanced if the United States assumes the exchange risk of the buyer should the value of the dollar rise compared with the trade-weighted index of the dollar. The report is due to Congress by June 21, 1986.

Cargo Preference

The 1985 Act substantially changes cargo preference laws which required that 50 percent of U.S. Government-sponsored exports be shipped on U.S. flag vessels. The 1985 Act clarifies that requirement and mandates a gradual increase in the share of particular exports, mostly food aid, that must be carried on U.S. flag vessels. The cargo preference requirements do not apply to specific commercial agricultural export programs such as the export credit, credit guarantee, blended credit, and export enhancement programs. However, in 1986 and 1987, 60 percent and 70 percent, respectively, of food aid exports must be shipped on U.S. flag vessels. In 1988 and thereafter, at least 75 percent must be shipped on U.S. flag vessels. The calendar years for complying with these requirements are the 12-month periods beginning April 1, 1986. Through 1989, the Secretary of Transportation must ensure that a specified amount of P.L. 480 title II commodities is shipped from Great Lakes ports. The minimum tonnage of agricultural commodities to be exported under programs subject to the cargo preference requirements is set by a formula but may be waived by the President.

The Secretary of Transportation must finance any increased ocean freight charges which result from specified changes to cargo preference laws. If ocean freight and ocean freight differential costs on commodities subject to cargo preference requirements exceed 20 percent of the value of such commodities and such ocean freight and differential costs, then the U.S. Department of Transportation (DOT) must pay the excess. If the DOT lacks funds for the increased costs, then cargo preference requirements will revert to previous law.

The 1985 Act establishes a National Advisory Commission on Agricultural Export Transportation Policy to study ocean transportation of agricultural exports subject to cargo preference laws and to make recommendations for improving the efficiency of such transportation. The commission must submit an interim report to the President and Congress by December 23, 1986, and a final report by December 23, 1987.

Agricultural Imports

The 1985 Act mandates several other actions and studies, most related to the effects of agricultural imports on domestic industries.

Trade Consultations

The 1985 Act requires consultations between FAS and other agencies, including the Animal and Plant Health Inspection Service, before relaxing or removing any restriction on agricultural imports. Similarly, consultations are mandated between the Secretary and the U.S. Trade Representative before such actions are taken.

Apricot Study

In conjunction with the U.S. Trade Representative, the Secretary must submit a report to Congress on the effect of apricot imports on the domestic apricot industry. The report must also measure the extent and nature of apricot subsidies in countries that export apricots. The report is due by April 22, 1986.

Brazilian Ethanol Imports

The 1985 Act requires the Secretary to study the effect of imported Brazilian ethanol on the domestic prices of corn and other grains and on the domestic ethanol refining industry. In consultation with the U.S. Trade Representative and the International Trade Commission, the Secretary must determine what relief should be granted because of the interference of subsidized Brazilian ethanol with the domestic ethanol industry. The Secretary must report to Congress by February 21, 1986.

Oat Imports

The Secretary must study the effect on domestic farm programs of increased oat imports and report to Congress no later than December 23, 1986.

Trade Practices

The 1985 Act requires or calls for several actions including those relating to tobacco imports and unfair agricultural trade practices. The act also requires export sales of CCC dairy products and amends the CCC Charter Act to require barter agreements to the maximum extent practicable.

Tobacco Pesticide Residues

All flue-cured or burley tobacco offered for import must be certified to be free of any pesticide residue that is prohibited by the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA). Lacking certification, such tobacco must be inspected at the point of entry to determine compliance. Tobacco failing inspection is barred from entry. Periodic sampling, as determined by the Secretary, is required of flue-cured and burley tobacco offered for import to determine whether it conforms to pesticide residue requirements.

Export Displacement

The Secretary must assess each activity administered by the Secretary or USDA that assists the production, marketing, or use of any agricultural commodity in a foreign country and that the Secretary determines is likely to have a detrimental effect on the promotion of U.S. agricultural exports. The study must determine if the assistance activity has such adverse effects. The Secretary must report the results to Congress by December 23, 1986, for current programs and on a regular basis for subsequent programs.

Export Sales of Dairy Products

Through fiscal year 1988, at least 150,000 tons of CCC dairy products must be sold annually for export at prices set by the Secretary, if such sales will not interfere with usual U.S. marketings nor disrupt world prices of agricultural commodities and normal patterns of commercial trade. Sales are to involve at least 100,000 tons of butter and 20,000 tons of cheese annually.

Unfair Trade Practices

The President must take appropriate action to ensure a prompt and satisfactory resolution of specified complaints regarding subsidies and discriminatory tariffs of the European Communities (EC). The President must also act to balance the level of concessions in trade between the United States and the EC.

Thai Rice

Congress urges the Secretary of Commerce to immediately consider implementing countervailing duties upon imports of rice from Thailand.

End Users of Imported Tobacco

Any flue-cured or burley tobacco imports must be accompanied by a written identification of all end users. If the importer does not know the identity of an end user, the importer must identify all purchasers to whom the importer expects to transfer such imported tobacco. The Secretary must submit a report to Congress by April 1, 1986, on the identification of end users and amounts purchased. Additional reports on the implementation of this authority are due by November 15, 1986, and annually thereafter.

Barter of Agricultural Commodities for Strategic Materials

The 1985 Act amends the CCC Charter Act to require, to the maximum extent practicable, barter of CCC commodities for strategic and critical material produced abroad. Normal commercial trade channels must be used and commercial marketings must not be disrupted. If the Strategic Petroleum Reserve falls below prescribed levels, and upon request from the Secretary of Energy, the CCC must, to the maximum extent practicable and with approval from the Secretary, make available CCC commodities worth at least $300 million to barter for petroleum products. The Secretary must provide technical assistance relating to bartering of agricultural commodities and products to U.S. exporters who request such assistance.

TITLE XII: CONSERVATION

The conservation title implements "sodbuster," "swampbuster," and conservation reserve programs that are designed to remove highly erodible land and wetlands from crop production. The 1985 Act also extends several other conservation programs.

Highly Erodible Land Conservation

Provisions protecting highly erodible land include "sodbuster" and conservation compliance. These provisions prohibit USDA program benefits to any person who produces an agricultural commodity on highly erodible land without the use of conservation practices appropriate for that land. Failure to comply with either provision results in the loss of eligibility for any price-support loans, purchases, and payments; farm storage facility loans; Federal crop insurance; disaster payments; new loans made, insured, or guaranteed by the Farmers Home Administration (FmHA) if the loan would be used for a purpose that contributed to excessive erosion of highly erodible land; and payments for the storage of CCC-owned commodities. Local conservation districts will determine the appropriateness of the conservation practices; the Secretary will make the determination if the land is not located within a conservation district.

The sodbuster provision became effective December 23, 1985, except for land cultivated to produce agricultural commodities during crop years 1981-85, including land set aside, diverted, or otherwise not cultivated under a program administered by the Secretary, and land that has not yet been mapped for classification purposes. After January 1, 1990, or 2 years after land has been mapped and classified by the Soil Conservation Service (SCS), all persons producing agricultural commodities on highly erodible land must have begun implementing a conservation plan to be eligible for Government program benefits. Those persons actively implementing a conservation plan have until January 1, 1995, to fully complete it.

SCS must complete soil survey mapping as soon as possible for use in determining land capability classifications.

Wetlands Conservation

Also referred to as "swampbuster," this provision prohibits USDA program benefits to producers who convert wetlands to cropland after December 23, 1985. Failure to comply with this provision will render persons ineligible for any price-support loans, purchases, and payments; farm storage facility loans; Federal crop insurance; disaster payments; new loans made, insured, or guaranteed by FmHA if the loan would contribute to wetlands conversion; or payments for the storage of CCC-owned commodities.

Exempt from this provision are persons with wetlands for which conversion began before December 23, 1985, artificial wetlands, or wetlands that can be used in the production of agricultural commodities as a result of natural conditions (such as drought) without the destruction of natural wetlands characteristics. Artificial wetlands are those created from nonwetlands as a result of activities such as fish farming, irrigation, and flood control. The prairie pothole region provides an example of a natural condition. There, during dry years, production of an agricultural commodity in the potholes is feasible without destroying the wetlands' natural characteristics. The Secretary may exempt a person from ineligibility where the environmental effects of the conversion activity are deemed minimal.

In carrying out this provision, the Secretary must consult with the Secretary of the Interior in identifying wetlands areas, determining exemptions, and issuing regulations.

Conservation Reserve

The conservation reserve provision proposes to assist, through contract, owners and operators of highly erodible cropland in conserving and improving the soil and water resources of their farms and ranches. This purpose will be met by establishing a conservation reserve of 40 to 45 million acres by 1990. Highly erodible cropland acreage will be placed into the reserve at the rates shown in table 7. The

Table 7—Conservation reserve acreage, crop years 1986-90

Range	1986	1987	1988	1989	1990
			Million acres		
Minimum 1/	5	15	25	35	40
Maximum	45	45	45	45	45

1/ The Secretary may reduce the number of acres placed in the reserve by up to 25 percent if rental payments will probably be significantly lower in the following year.

Secretary may also include lands not highly erodible, but which pose a serious environmental threat or suffer continued degradation of productivity due to salinity. No more than 25 percent of the cropland in any one county may be placed in the reserve except where it is determined that to do so would have no adverse effect on the local economy. Where practicable, at least one-eighth of the total conservation reserve acreage should be devoted to trees.

Landowners or operators desiring to participate in the conservation reserve must agree to implement a plan approved by the local conservation district to place highly erodible cropland into grasses, trees, and other acceptable vegetative covers for 10 to 15 years. They must further agree not to harvest, graze, or make other commercial use of the forage for the duration of the contract, except where the Secretary permits, as in a drought or similar emergency. The conservation plan must describe the measures and practices required; the commercial use, if any, to be permitted; and the amount of cropland base and allotment history, if any, to be permanently retired. The amount of the reduction in cropland base acreage and allotment history, during the life of the contract, will be based on the ratio between acreage placed in the reserve and total cropland acreage on the farm for those crops which have production adjustment programs in place. The Secretary, however, may preserve the cropland base and allotment history on the acreage placed in the reserve for the purpose of any Federal program unless the owner and operator agree under the contract to retire that cropland base and allotment history permanently.

The Secretary must pay an annual fee sufficient to compensate for the conversion of highly erodible land to grass and trees and the retirement of any cropland base and allotment history. The compensation, in the form of annual rental payments, may be determined through the submission of bids. The acceptability of each bid may be based on the extent of erosion and the productivity of the acreage diverted. Different eriteria may be established in various States and regions to determine the extent to which erosion may be abated. Priority may be given to owners and operators with the highest level of economic stress, and where appropriate, for the establishment of shelterbelts, windbreaks, stream borders, filter strips of permanent grass, or trees that significantly reduce erosion.

The annual rental payments may be made in cash or in-kind and may be made prior to the implementation of the contract by owners or operators. The total payment may not exceed $50,000 per year, and will not affect the total amount of payments that are available under other programs. USDA must make the payments as soon as possible after October 1 of each year. The Secretary must also provide technical assistance and 50 percent of the cost of establishing conservation practices. These payments must be made as soon after the expenses occur as is feasible.

Land on which ownership has changed in the 3-year period preceding the first year of the contract will be ineligible for the conservation reserve unless the land was acquired by will or succession as a result of death, or prior to January 1, 1985, or where the Secretary determines that the land was acquired under circumstances that provide adequate assurance that it was not purchased for the purpose of being placed in the reserve. Ownership is not a requirement for eligibility provided the person has operated the land for the 3-year period preceding the first year of the contract and will continue to control the land for the duration of the contract.

The Secretary may modify or terminate an individual contract if the owner or operator agrees to the change and if the action is in the public interest. If the contract is violated, the owner or operator forfeits all rights to past, present, and future rental and cost-share payments or must accept adjustments to payments

that the Secretary determines appropriate. On transfer of ownership or lease, the new owner or operator has the option to continue the current contract, enter into a new contract, or refuse to participate.

Title XII authorizes the Secretary to carry out the conservation reserve program through the CCC in fiscal years 1986-87. In fiscal year 1988 and subsequent years, the Secretary may use CCC facilities, services, and funds only if the CCC has received funds targeted for the conservation reserve.

Other Provisions

The conservation title also includes the following provisions.

Appeal Procedure and Tenant Protection

The Secretary must establish an appeal procedure to allow any person adversely affected by any of the sodbuster, swampbuster, and conservation reserve provisions to have their case reviewed. The ineligibility of a tenant or sharecropper because of violations of the sodbuster or swampbuster provisions will not cause the landlord to be ineligible for commodity programs except on those lands operated by the tenant or sharecropper. The Secretary will also provide adequate protection for tenants and sharecroppers, including a provision to share payments received under the conservation reserve.

Technical Assistance for Subsurface Water

The Secretary may provide plans and technical assistance to aid State and local governments and their river basin commissions in protecting ground water and surface waters, in reducing flood hazards which might adversely affect the quality or quantity of their water, and in controlling salinity. The Secretary must provide Congress with a detailed evaluation of the plans and assistance by February 15, 1987.

Soil and Water Conservation

The 1985 Act extends the Soil and Water Resources Conservation Act of 1977, requiring USDA to assess soil and water resources in 1995 and again in 2005.

Softwood Timber

FmHA may reschedule repayment of delinquent loans using future revenue produced from the planting of softwood timber crops on marginal lands that were previously used as cropland or pasture. The accrued interest on a reamortized loan may be included in the new principal and subject to interest charges. FmHA may defer repayment of the reamortized loan until the timber produces revenues or 45 years, whichever is sooner. The borrower must complete repayment within 50 years of the date of reamortization. To be eligible, no fewer than 50 acres must be placed in the production of softwood timber, no liens on the land must exist other than the lien being reamoritized, and the loan amount may not exceed $1,000 per acre. No more than 50,000 acres may be entered in the program.

Dryland Farming

Dryland farming is included as an objective of energy and water conservation.

Farmland Protection

The 1985 Act amends the Farmland Protection Policy Act to include an annual report of the program and to enable Governors, where a State policy or program exists, to bring suit against Federal agencies to enforce the protection of farmland.

1986 Reserve Program

On January 13, 1986, the Secretary announced that highly erodible land placed in the conservation reserve will be ineligible for farming for 10 years and must be planted with a permanent vegetative cover. The amount of the annual rental payments will depend on the bids per acre and the number of acres under the 10-year contracts. Participants also will receive 50 percent of eligible costs of establishing trees or grass on the acreage placed in the reserve.

The Secretary announced further details on January 29. All land in classification levels VI, VII, and VIII, and land in capability classes II through V that was planted to a crop and tilled during 2 of the 1981-85 crop years and is eroding at three times the tolerance level (generally 4 to 5 tons per acre per year for deep soils) will be eligible for 1986 contracts. Table 8 lists the amount of acreage eligible for 1986 contracts by State and region, approximately 69.5 million acres; figure 6 illustrates the distribution of the eligible acreage across the United States. Producers wishing to participate applied at their local Agricultural Stabilization and Conservation Service (ASCS) office March 3-14. The application must include bids for the annual rental payments. Rental and cost sharing payments will either be made in cash or in negotiable PIK certificates.

TITLE XIII: CREDIT

Title XIII contains a number of provisions related to the Consolidated Farm and Rural Development Act. Some provisions are designed to help farmers repay their loans (such as interest rate reductions and conservation easements); others are to assist them after foreclosure (such as disposition of farmland and homestead protection). The major changes in the credit title, however, are the shift from direct to guaranteed loans as specified by the funding levels, and the protection for buyers of farm products, the "clear title" provisions.

Eligibility for Real Estate and Operating Loans

The 1985 Act adds joint farming operations to the eligibility list (farmers, ranchers, farm cooperatives, private domestic corporations, and partnerships) for FmHA farm ownership, soil and water conservation, recreation, and farm operating loans. A joint operation exists when two or more farmers work together sharing equally or unequally one or more of the following: land, labor, equipment, expenses, and income.

Owners of a larger than family-sized farm are also now eligible for farm ownership and farm operating loans provided they are related by blood or marriage, all are or will be the actual farm operators, and each holds an interest which when taken separately is no larger than a family-sized farm.

The Secretary may not restrict eligibility for farm ownership, soil and water conservation, recreation, and farm operating loans only to farmers who had FmHA loans outstanding on December 23, 1985.

Water and Waste Disposal Facilities

The 1985 Act changes the water and waste facility loan and grant program. Grant rates (the proportion of the project covered by the grant) will be based on a graduated scale with higher rates given to communities with lower income and population levels. The rates for projects serving more than one community will be based on median population and income levels of all the communities involved. The grant limit remains at 75 percent of the development cost of the project. Grants may be used to pay local share requirements of other Federal grant-in-aid programs when permitted by law. In making water or waste facility loans, the Secretary must consider recommendations made by the applicant or borrower concerning design and materials used and must justify any required changes.

The Secretary may make grants to private nonprofit organizations that provide technical assistance and training to associations wanting to build or improve water or waste facilities, or both. Organizations experienced in providing assistance to

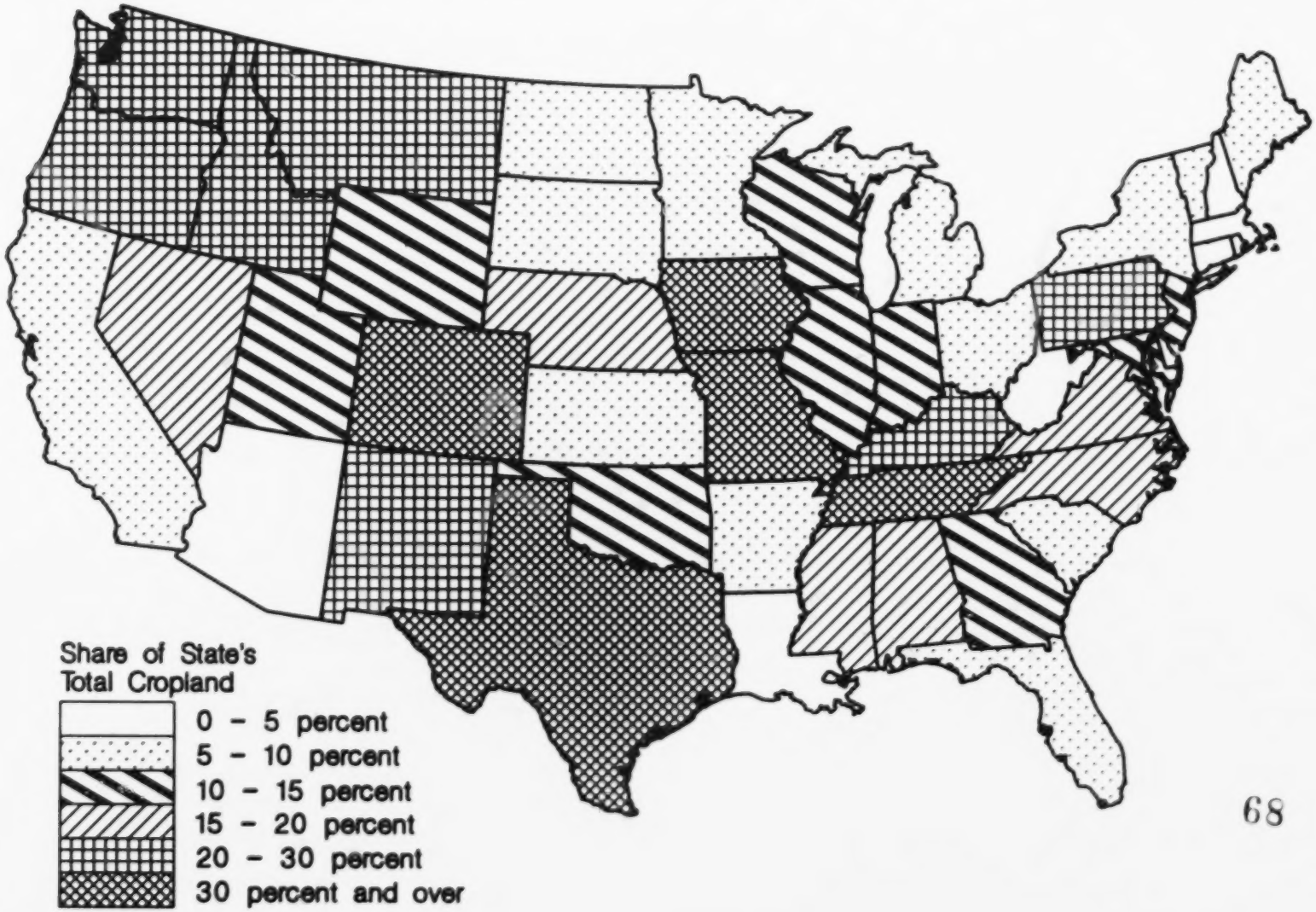
Table 8—Acreage eligible for 1986 conservation reserve contracts, by State and region

Region and State	Acres	Region and State	Acres
Northeast:		Delta States:	
Connecticut	47,800	Arkansas	465,600
Delaware	13,900	Louisiana	178,300
Maine	82,100	Mississippi	1,092,900
Maryland	241,800	Total	1,736,800
Massachusetts	44,400		
New Hampshire	23,000	Northern Plains:	
New Jersey	151,400	Kansas	2,525,300
New York	536,300	Nebraska	3,142,200
Pennsylvania	1,142,900	North Dakota	2,053,900
Rhode Island	2,500	South Dakota	1,655,600
Vermont	49,500	Total	9,377,000
Total	2,335,600		
		Southern Plains:	
Appalachia:		Oklahoma	1,459,700
Kentucky	1,431,400	Texas	11,465,300
North Carolina	1,142,000	Total	12,925,000
Tennessee	1,589,600		
Virginia	606,300	Mountain:	
West Virginia	203,700	Arizona	54,400
Total	4,973,000	Colorado	3,677,600
		Idaho	1,697,700
Southeast:		Montana	4,995,600
Alabama	842,200	Nevada	192,100
Florida	388,800	New Mexico	54,3200
Georgia	766,200	Utah	329,300
Puerto Rico	226,500	Wyoming	350,100
South Carolina	214,300	Total	11,840,000
Total	2,438,000		
		Pacific:	
Lake States:		Alaska	NA
Michigan	779,300	California	634,000
Minnesota	1,904,200	Hawaii	53,700
Wisconsin	1,830,300	Oregon	1,009,800
Total	4,413,800	Washington	1,582,400
		Total	3,279,900
Corn Belt:			
Illinois	3,053,200		
Indiana	1,529,400	United States	69,489,600
Iowa	6,624,200		
Missouri	4,072,600		
Ohio	891,100		
Total	16,170,500		

NA = Not available.

Figure 6

Cropland Eligible for the Conservation Reserve, 1986



associations serving rural areas, where residents have low income and water supply systems or waste facilities are unhealthy, will receive priority. Between 1 and 2 percent of the funding for water and waste facility grants must be available for technical assistance and training grants.

The Secretary must study the practicality and cost effectiveness of making loans and grants for rural water and waste disposal facilities at individual locations, instead of central or community locations. The study must specifically examine the feasibility of small multiuser drinking water facilities, the cost of connecting rural homes into community water systems, improvements to small community water systems, and alternative rural drinking water systems. The report was due to Congress by April 22, 1986.

Oil, Gas, and Mineral Rights as Collateral

Mineral rights are not to serve as security for farm ownership loans made after December 23, 1985, unless specifically included in the appraised value of the collateral. Any compensation the borrower receives for surface damage to the land resulting from mineral exploration or recovery may be counted as part of the collateral securing the loan.

Proceeds from mineral sales or leases may be used to make payments on farm ownership, operating, disaster, or economic emergency loans provided the value of the mineral rights was not used to secure the loan. This provision does not apply to loans for which liquidation or foreclosure proceedings were pending on December 23, 1985.

Nonsupervised Accounts

The Secretary must place a portion (10 percent or $5,000, whichever is less) of any farm operating loan in a nonsupervised bank account. The account may be used by the borrower for necessary family living expenses or other needs consistent with a previously agreed upon farming or ranching plan. If the reserve is exhausted, the Secretary may adjust the farm plan with the borrower and may consider rescheduling the loan or extending additional credit.

Eligibility for Emergency Loans

The 1985 Act changes some of the eligibility requirements for FmHA emergency loans. Individual applicants must operate farms not larger than family size to be eligible for operating loans and must own and operate farms not larger than family size to be eligible for real estate loans. Farm cooperatives, private domestic corporations, partnerships, and joint operations are eligible for emergency loans when the majority interest in these businesses is held by citizens who meet the criteria of individual applicants. When the holders of a majority interest in the business are related by blood or marriage, they must own or operate family-sized farms, and at least one holder must operate such a farm.

No emergency loans will be made for production losses that could have been covered under the Federal Crop Insurance Act, beginning with crops planted and harvested in 1987. Producers, however, are still eligible for emergency loans when prevented from planting a crop because of flood, drought, or other natural disaster. The Secretary may no longer make emergency loans to applicants able to obtain credit elsewhere. No emergency loan may exceed the amount of the actual loss or $500,000, whichever is less, for each disaster. Also, the 1985 Act repeals the authority to make subsequent annual production emergency loans.

Prompt Approval of Loans and Loan Guarantees

The Secretary must approve or disapprove an application for a loan or loan guarantee and notify the applicant of the decision within 60 days of receiving the application. The notice must specify the reasons for disapproval, if that is the action taken. Applicants must be notified within 20 days if their application is incomplete. Funds for approved loans must be disbursed within 15 days, unless a longer period is agreed to by the applicant or funds are not yet available. USDA must act on disapproved applications which have been reversed upon administrative or judicial appeal within 15 days. Requests from lending institutions for FmHA "approved lender" status (thus expediting the guaranteed loan application process) should be reviewed and acted upon within 15 days of receipt. These provisions apply only to those applications received after December 23, 1985.

The FmHA guaranteed farm loan program must be responsive to the needs of borrowers and lenders and must provide, under reasonable conditions, for payment of guaranteed proceeds of a defaulted loan prior to completion of the liquidation process.

Appeals

FmHA borrowers, loan guarantee recipients, and applicants for loans and guarantees who have been directly and adversely affected by a decision of the Secretary must receive written notice of the decision and must be provided the opportunity for an informal meeting and a hearing. The appeal procedure must be included in the notice. Applicants have the right to examine their loan files and to be represented during any informal meeting or hearing.

The Secretary must study the administrative appeal procedure used in FmHA farm loan programs and report the findings to Congress by September 1, 1986. The study must examine the number and types of appeals initiated; the extent to which initial administrative actions are reversed, modified, or sustained on appeal; the reasons for the reversals, modifications, or sustainments; the number and disposition of appeals where lawyers are present; the amount of time required to complete an appeal and the reasons for delays; the feasibility of using administrative law judges in the appeal process; and the desirability of electing FmHA county committee members.

Disposition and Leasing of Farmland

Farmland acquired by the Secretary must be sold or leased (in that order of priority) to operators of not larger than family-sized farms provided the sale price reflects the average annual income expected from farming the land; the sale will not adversely affect local farmland values; and the sale or lease will not adversely affect acreage allotments, marketing quotas, or assigned acreage bases. The Secretary may also use leases with options to buy, installment sales, or other similar devices. When leasing the land, USDA must give special consideration to the previous owner or operator if the person has sufficient financial resources, management skills, and experience as determined by the Secretary to assure a reasonable chance of success.

If two or more qualified applicants want to buy or lease the same piece of land, the local FmHA county committee will select the operator by majority vote. Large parcels must be subdivided into family-sized tracts, and specific conservation practices may be required on highly erodible land as a condition of sale or lease. If the Secretary decides to administer farmland through management contracts, the contracts must be offered on a competitive bid basis with preference given to small businesses in the area. The Secretary must have implemented these provisions by March 23, 1986.

Release of Normal Income Security

The Secretary must release from normal income security (that is, remove the lien on proceeds from the normal sale of farm commodities and livestock) an amount sufficient to meet essential household and operating expenses. The release need not be made if the loan has been accelerated.

Financial Statements and Plans

FmHA must provide a loan summary statement to a borrower, upon request, describing the status of the borrower's loans during the summary period. The statement must include the amount of principal outstanding at the beginning of the summary period, the interest rate, the amount of payments made, the amount of principal and interest due at the end of the period, any delinquencies, a schedule of payment dates and amounts, and the procedure for obtaining additional information.

The Secretary must study the appropriateness of FmHA's farm and home plan. If the plan is inappropriate, the Secretary should evaluate alternative forms, the need for a new plan, and the steps to be taken to improve or replace the current form. The report is due to Congress by April 22, 1986. The Secretary cannot use or require the FmHA coordinated financial statement in connection with loan applications submitted after December 23, 1985.

Authorized Loan Amounts

Table 9 outlines the loan levels authorized by the 1985 Act for fiscal years 1986-88. No more than 25 percent of the amounts authorized for guaranteed ownership and operating loans may be transferred to the authorizations for direct loans in each of the fiscal years. Twenty-five percent of direct ownership and operating loans made in any fiscal year must be to low-income, limited resource borrowers; the minimum level had been 20 percent under previous legislation.

Debt Restructuring and Conservation Easements

The Secretary may acquire and hold an easement on real estate for conservation, recreational, and wildlife purposes provided the term of the easement is at least 50

Table 9—FmHA loan authorization levels, fiscal years 1986-88

Type of loan	1986	1987	1988
		Million dollars	
Farm ownership and operating loans	4,000	4,000	4,000
Direct ownership, not less than	260	195	130
Direct operating	1,740	1,305	870
Total direct loans	2,000	1,500	1,000
Guaranteed ownership, not less than	260	325	390
Guaranteed operating	1,740	2,175	2,610
Total guaranteed loans	2,000	2,500	3,000
Emergency loans, direct or guaranteed	1,300	700	600
Water and waste disposal loans, direct	340	340	340
Business and industrial loans, guaranteed	250	250	250
Community facility loans, direct	115	115	115

years; the property is wetlands, upland, or highly erodible land, and deemed suitable by the Secretary; the property secures any loan made and held by FmHA where the borrower is unable to repay the loan in a timely manner or the land is already part of FmHA inventory; and the upland or highly erodible land was planted in row crops each year during 1983-85. The terms of the easement will specify the purposes for which the land may be used, the conservation measures to be taken, and the recreational and wildlife uses to be allowed. Payment for the easement on land secured by a loan will be made by canceling the part of the outstanding principal corresponding to the proportion of the total acreage subject to the easement. The amount of canceled principal may not exceed the value of the land on which the easement is acquired. Loans made after December 23, 1985, are not eligible for these easements.

Interest Rate Reduction Program

Effective December 23, 1985, through September 30, 1988, the Secretary must provide a program to reduce interest rates on FmHA guaranteed loans. The Secretary will contract with lenders to reduce the interest rate on a loan by a specified minimum amount for a period not to exceed the remaining loan term, or 3 years, whichever is shorter. The Secretary will pay up to half the cost of reduction to a maximum payment equal to the cost of a 2-percent rate reduction. To be eligible for the interest reduction, a borrower must be unable to obtain sufficient credit elsewhere, be otherwise unable to make payments on the loan in a timely manner, and have an estimated cash income that will equal or exceed the estimated expenses for the upcoming 12 months. The total cost of the program may not exceed $490 million.

Homestead Protection

In the event of foreclosure by the Secretary or the Administrator of the Small Business Administration, bankruptcy, or voluntary liquidation to avoid foreclosure or bankruptcy, a farm borrower may, on request, be allowed to retain the principal residence and a reasonable amount of adjoining land for a period of 3 to 5 years for family sustenance. The borrower must apply for occupancy by December 23, 1988, pay reasonable rent, and maintain the property during the period. To be eligible, the borrower must have exhausted all other remedies for loan extension or restructuring; sold at least $40,000 of farm products annually in at least 2 years during 1981-85; received at least 60 percent of gross annual income from farming during at least 2 of the 5 years; and occupied the residence and engaged in farming or ranching during the 5-year period. At the end of the rental period, the borrower is given the first opportunity to reacquire the property.

Rural Utilities

Eligibility for borrowing at a Farm Credit System Bank for Cooperatives is expanded to include cooperatives or other entities (as well as their subsidiaries) that have received a loan, loan commitment, or loan guarantee from the Rural Electrification Administration (REA); have received a loan or commitment from the Rural Telephone Bank; or have been certified as eligible for a loan by the REA administrator. Only rural utility cooperatives that had 60 percent of their voting control held by farmers, aquaculture producers, or other eligible cooperatives were previously eligible to borrow from a Bank for Cooperatives.

Rural Development and Finance Corporations

During fiscal year 1986, the Secretary will guarantee loans made by public agencies or private organizations to nonprofit national rural development and finance corporations that establish affiliated statewide programs to provide financial

assistance to rural businesses. These corporations must demonstrate the ability and financial commitment necessary to carry out the objectives. Twenty million dollars from the Rural Development Insurance Fund will be used for the loan guarantees until exhausted. Grants will also be available to the corporations during fiscal year 1986 for establishing rural development programs that complement the loan guarantees.

Protection for Purchasers of Farm Products

Certain State laws permit lenders to enforce liens against a purchaser of farm products even if the purchaser does not know the sale violates the lender's security interest and the purchaser lacks any practical method of discovering the existence of such interests. Congress determined that these laws subject purchasers to double payments and that these double payments inhibit competition and obstruct interstate commerce of farm products. Therefore, the 1985 Act includes new "clear title" provisions to remove such obstructions.

Each State may create a statewide central filing system which would be operated by the State's Secretary of State. USDA would certify such a system if it met the following requirements: lenders would file financial statements, signed by both the lender and debtor, with the Secretary of State's office; all statements would be compiled into a master list organized by type of commodity; buyers, commission merchants, and selling agents would register with the office; and the Secretary of State would then regularly distribute to the buyers, merchants, and agents the sections of the master list that cover the farm products in which they indicated an interest. Buyers could also request information on a specific producer.

Effective December 23, 1986, a buyer who buys farm products in the ordinary course of business from producers will receive the commodity free of security interests even though the lien could be enforced and the buyer knows of its existence, with the following exceptions. Buyers would be subject to the liens if they received written notice of the security interest from lenders or producers within 1 year of the purchase, failed to pay for the commodities, failed to register with the Secretary of State (in States that have a central filing system) when the lender had a financial statement on file, or received the sections of the master list in which they expressed an interest from the Secretary of State and did not secure a waiver or release from the lender. These provisions will also apply to commission merchants and selling agents who sell farm products for others.

A lender, as part of loan agreement, may require a list of buyers, commission agents, and selling agents to or through whom the producer may sell the farm products securing the loan. A producer will be fined $5,000 or 15 percent of the value of the products sold, whichever is greater, if the products are sold to a person not on the list, unless the producer notifies the lender in writing of the buyer's identity at least 7 days prior to the sale or accounts for the sales proceeds to the lender not later than 10 days after the sale.

Other Provisions

The credit title also includes the following provisions.

Recordkeeping for Limited Resource Borrowers

FmHA may now make operating loans to limited resource borrowers who have real estate loans to pay for training in farm and ranch recordkeeping.

County Committees

Two of the three FmHA county committee members must now be elected by local farm operators, while the third member is appointed by the Secretary. The Secretary had previously appointed all three. Committee members will continue to serve 3-year terms. FmHA county committees meet monthly to review loan applications and determine applicant eligibility.

Study of Federal Farm Credit System

The Farm Credit Administration must study the need for an insurance fund to protect against losses and stabilize the financial condition of the Farm Credit System. The findings are due to Congress by June 21, 1986.

Small Farmer Training and Technical Assistance

The Secretary must maintain the FmHA Small Farmer Training and Technical Assistance Program at current levels for fiscal years 1986-88.

TITLE XIV: AGRICULTURAL RESEARCH, EXTENSION, AND TEACHING

Title XIV amends the National Agricultural Research, Extension and Teaching Policy Act of 1977, as amended, and other statutes relating to research, extension, and teaching programs. Most of the provisions are permanent legislation, except for funding authorizations, and need no continuing authority. However, some changes in existing programs have been made, most expiring provisions are continued, and some new programs are added.

Responsibilities of the Secretary

The Secretary must coordinate efforts of State cooperative institutions and Extension Services, the Joint Council on Food and Agricultural Science, the National Agricultural Research and Extension Users Advisory Board, and other appropriate institutions in assessing the status of, and developing a plan for, the transfer of new technologies, particularly biotechnology, to the farming community. Small- and medium-sized farms are to be given special emphasis. The Secretary must also establish appropriate controls over the development and applied uses of biotechnology in agriculture.

Councils and Boards

The 1985 Act continues authorization of the Joint Council on Food and Agricultural Sciences, the National Agricultural Research and Extension Users Advisory Board, and the Animal Health Science Research Advisory Board. A new provision would require the Secretary to appoint one food technologist to the Joint Council.

Grant Authority and Funding

The amount available for "high priority" competitive research grants is increased from $50 million to $70 million per year for fiscal years 1986-90. Grants awarded under the Research Facilities Act are on a matching fund basis, with the Secretary determining the matching requirement. Authorized funding for grants to eligible institutions is $20 million annually for fiscal years 1986-90. The Secretary must report to Congress annually concerning institutions ineligible to participate because of failure to repay. The annual funding authority for grants and

fellowships for food and agricultural science education continues at $50 million through fiscal year 1990. Annual authorization for funding animal health and disease research programs remains constant at $60 million. Panels that review applications for grants are exempt from provisions of the Federal Advisory Committee Act.

Grants for Research and Extension at 1890 Land-Grant Colleges

The 1985 Act extends indefinitely the requirement that at least 6 percent of the total funding each year under the Smith-Lever Act be used for extension work at 1890 land-grant colleges as well as the Tuskegee Institute. The authorized funding levels for grants to upgrade 1890 land-grant college extension facilities, including the Tuskegee Institute, is $10 million annually through fiscal year 1990 for assisting in the purchase of equipment and land; construction, alteration, or renovation of buildings; and providing facilities to conduct extension work in their respective States. Federal funds cannot be used to pay overhead costs of the eligible institution. The Secretary must deduct from the next succeeding annual allotment any carryover of funds in excess of 5 percent of the preceding annual allotment made to that institution.

Federal and State Partnerships

The Secretary should designate at least one State cooperative institution to conduct policy research on emerging technological, economic, sociological, and environmental effects on the structure of agriculture. This research must specifically examine the role of food production, processing, and distribution systems on the use of diversified farm plans; energy, water, and soil conservation technologies; cooperatives; and rural community resource management by small- and medium-sized family farms. The Secretary should also designate one State agricultural experiment station and one Agricultural Research Service (ARS) facility to examine the issues of reducing farm input costs; improving soil, water, and energy conservation on farms and in rural areas; using sustainable agricultural methods; adopting alternative processing and marketing systems; and encouraging rural resource management.

Grants for International Trade Development Centers

The Secretary must operate a program that makes grants to States for creating or expanding international agricultural trade development centers in the United States. Grants will be on a matching formula of 50 percent Federal funds and 50 percent State funds. The State share may include funds from local governments and private sources. The Secretary must give preference to existing international trade development centers and to land-grant colleges and universities that have continuing agricultural programs, that use an interdisciplinary approach, that State and Federal agencies operate jointly, and that have an effective communication system to conduct international conferences and trade negotiations. Activities of these centers may include establishing permanent data bases that contain information on international marketing and problems facing exporters within foreign countries (such as language barriers, identification of government representatives, transportation, insurance, and financing), and housing exhibits that can be used for trade seminars and trade negotiations.

Agricultural Information and Personnel Exchange with Ireland

The Secretary must undertake discussions with representatives of the Government of Ireland to provide for a greater exchange of agricultural, scientific, and educational information, techniques, and data; and to promote joint investment

ventures, cooperative research, and expansion of trade. Agricultural producers, students, teachers, and agribusiness personnel must be included in the exchange.

Extended Contractual Powers

Cooperative agreements may serve as legal instruments between USDA and State cooperative institutions, State departments of agriculture, colleges, universities, other research or educational institutions, Federal or private agencies or organizations, or individuals. USDA may establish cost-reimbursable agreements with State cooperative institutions, without competition, to acquire goods or services, including personal services, or to carry out agricultural research, extension, or teaching activities. Reimbursable costs may include direct costs of performance and indirect costs not to exceed 10 percent of the direct cost.

Technology Development Research Program

The Secretary may enter into cooperative agreements on a shared cost basis--50-percent matching funds--or allow the use of a Federal facility or service on a cost-sharing or cost-reimbursable basis to develop new agricultural technologies that can be used on small- and medium-sized farms. Funding to support the special technology development research program will not exceed $3 million annually (fiscal years 1986-90) from funds appropriated for ARS. A project may not receive more than $50,000 per fiscal year or more than $150,000 in total.

Supplemental and Alternative Crops

The Secretary must initiate development and implementation of a research and pilot project program for supplemental and alternative crops, beginning October 1, 1986. This program will examine the adaptability of supplemental and alternative crops, establish pilot projects in areas of declining demand for traditional crops, establish processes for transferring research to onfarm practices, and establish processing, storage, and transportation facilities for pilot projects as determined by the Secretary. The pilot program may also conduct comprehensive resource and infrastructure assessments, develop and expand domestic and export markets for the crops, and provide technical assistance to farm owners, operators, and marketing cooperatives.

Aquaculture

The 1985 Act makes nonprofit private research institutions eligible to participate in aquaculture assistance programs. Funding for the assistance programs is authorized at $7.5 million annually for fiscal years 1986-90. No more than 50 percent of a State's matching grant may be made as an in-kind contribution. The act expands eligibility for aquaculture research, development, and demonstration centers to include nonprofit private research institutes, State agricultural experiment stations, colleges, and universities with aquaculture research capacity. The Secretary must, to the extent practicable, locate aquaculture centers so that they represent regional aquaculture opportunities in the United States.

Funding for Agricultural Research Programs, Extension Education, and Federal Agricultural Research Facilities

The 1985 Act authorizes general funding for agricultural research through fiscal year 1990. The amount of funding increases from $600 million for fiscal year 1986 to $640 million for fiscal year 1990. Funding authorizations for research at State agricultural experiment stations are also continued through fiscal year 1990. The

authorization level increases from $270 million in fiscal year 1986, to $310 million in fiscal year 1990. Extension program funding continues through fiscal year 1990, increasing from $370 million in fiscal year 1986 to $420 million in fiscal year 1990.

The 1985 Act also authorizes funds for Federal agricultural research facilities for fiscal years 1988-90 for planning, constructing, and repairing buildings and for buying or leasing land by ARS, with planning limited to $500,000 and total cost limited to $5 million. The Secretary must submit to Congress a report on construction activity by location within 60 days of the end of each fiscal year.

Soybean Research Advisory Institute

The 1985 Act repeals authorization for this institute.

Smith-Lever Act

The Smith-Lever Act provides that Cooperative Extension work consists of developing practical applications of research and of providing instruction and practical demonstrations of existing or new technologies or practices in agriculture, including the use of solar energy, home economics, and rural energy. The Secretary may conduct educational, instructional, demonstration, and publications distribution programs. Such programs will be on a matching basis between the Extension Service and private industry or individual funds (no more than 0.5 percent of the funds appropriated to the Extension Service may be used to match funds for this provision). A report due to Congress on December 23, 1987, will show progress of these programs and make recommendations regarding how similar private sector initiatives could be used by the Extension Service.

Market Expansion Research

The Secretary, using available funds, must increase USDA research programs that are directed at developing technology to overcome barriers to expand sales of U.S. agricultural commodities and products in domestic and foreign markets. Research programs for developing procedures to meet plant quarantine requirements and to improve the transporting and handling of perishable agricultural commodities must also be expanded. The Secretary must also conduct research on formulating new uses for farm and forest products, particularly industrial and value-added products. The Federal share must not exceed 50 percent of the cost of each project and may not be less than $10 million annually.

Pesticide Resistance Study

The Secretary should study the detection and management of pesticide resistance. The study should review existing efforts to examine and identify the mechanisms, genetics, and ecological dynamics of target populations of insect and plant pests which are becoming resistant to pesticides. The study must review existing efforts to monitor current and historical patterns of pesticide resistance and develop a strategy for establishing a national pesticide resistance monitoring program, involving Federal, State, and local agencies, and the private sector. The study is due to the President and Congress by December 23, 1986.

Critical Agricultural Materials

The 1985 Act amends the Critical Agricultural Materials Act to require the Secretary to carry out demonstration projects to promote the development or commercialization of native agricultural crops that could supply critical agricultural materials for

strategic and industrial purposes. The Secretary may use grants, contracts, or cooperative agreements with any person or institution, and make available commodities from CCC stocks on a reimbursable basis to carry out this project.

Expansion of Education Study

The 1985 Act authorizes the Secretaries of the Departments of Agriculture and Education to expand the Study of Agricultural Education on the Secondary Level currently being conducted by the National Academy of Sciences. The expanded study would include the potential use of modern technology in teaching agricultural programs at the secondary school level and the recommendations of the National Academy of Sciences on how the technology can be most effectively used in teaching agricultural programs.

Grants for Financially Stressed and Dislocated Farmers

The Secretary must provide special grants to education and counseling programs that develop income alternatives for farmers who have been adversely affected by the current farm and rural economic crisis or displaced from farming. These programs will consist of education and counseling services that assess human and nonhuman resources; assess income alternatives; identify opportunities available for farmers in the local community, county, and State; implement financial planning and management strategies; and match such farmers with specific opportunities, such as new businesses, other off-farm jobs, job search programs, and retraining skills. The Secretary may also provide support to mental health officials in developing outreach programs in rural areas. The grants must be issued between December 23, 1985, and December 23, 1988.

Annual Report on Family Farms

The Secretary's annual report to Congress on the status of the family farm is expanded to include several new topic areas:

- Information on how existing agricultural and agriculture-related programs are being administered to strengthen the family farm in the United States.
- An assessment of how current and proposed credit laws and Federal income, excise, estate, and other tax laws affect the structure of, returns to, and investment opportunities of farm owners, both foreign and domestic.
- Identification and analysis of new food and agricultural production and processing developments, especially in the area of biotechnology. The analysis must evaluate the potential effect of such technological developments on the economic structure of the family farm system, the competitive status of domestically produced agricultural commodities and foods in foreign markets, and the achievement of Federal agricultural program objectives.
- An assessment of the credit needs of family farms and the extent to which those needs are being met.
- An assessment of how economic and trade policies of the United States affect the financial operation of, and prospects for, family farm operations.

- An assessment of the effect of Federal farm programs on farmers who derive most of their income from nonfarm sources and farmers who derive most of their income from farm sources.

- Other information that would aid Congress in preserving and strengthening the family farm system of U.S. agriculture.

Human Nutrition Research

The Secretary must submit to Congress, by December 23, 1986, a comprehensive plan for implementing a national food and human nutrition research program, including recommendations relating to research directions, educational activities, and funding levels necessary to carry out the plan. The Secretary must also submit a report on USDA's human nutrition research not later than 1 year after the plan is received, and annually thereafter.

The 1985 Act also requires the Secretaries of the Departments of Agriculture and Health and Human Services to jointly assess existing scientific literature and research on the relationship between dietary and blood cholesterol and human health and nutrition and the role of dietary calcium and its importance in human health and nutrition. Both Secretaries must report their assessments and recommendations for further research (including budget estimates) to Congress by December 23, 1986.

Agricultural Productivity Research

Title XIV authorizes a new agricultural productivity research program. One purpose of the program is to facilitate and promote scientific investigation to improve productivity, maintain soil fertility, reduce soil erosion, and conserve energy and natural resources. Another purpose of the program is to facilitate research of agricultural production systems that are located in areas possessing various soil, climatic, and physical characteristics; that have been managed using farm production practices that rely on purchased items or on conservation practices; and that can shift from purchased inputs to natural production practices.

To carry out these objectives, the Secretary must identify and classify existing information and research reports on agricultural productivity, including information related to legume-crop rotation; the use of green manure, animal manures, and municipal wastes in agricultural production; soil acidity; liming; intercropping; the role of organic matter in soil productivity and erosion control; the effect of topsoil loss on soil productivity; and biological methods of weed, disease, and insect control. The Secretary must then identify which reports provide useful information and make these available to farmers and ranchers through the Extension Service. The Secretary must also identify gaps in the information and carry out research to fill them.

The Secretary, in cooperation with Federal and State research agencies and agricultural producers, will conduct research projects that are broadly representative of U.S. agricultural production, including small farms. These projects may involve crops, soils, production methods, weeds, insects, and diseases. Projects that emphasize planting a sequence of crops must last 5-15 years. USDA must ensure that farmers and ranchers are aware of projects being conducted and that the projects are open for public observation.

The Secretary must submit a report to Congress not later than June 21, 1986, describing the design of the research projects; not later than March 23, 1987, describing the results of the literature search; and not later than April 1, 1987,

and each April 1 thereafter, describing progress of projects conducted under this program. The annual reports must summarize and analyze data collected and recommend new research. Information from these research projects will be made available to the public through Federal and State Extension Services.

TITLE XV: FOOD STAMP AND RELATED PROGRAMS

Title XV is divided into three subtitles: food stamp provisions, commodity distribution provisions, and nutrition and miscellaneous provisions. The first subtitle continues the Food Stamp Program (FSP) through September 30, 1990, with major changes as summarized below. The second subtitle extends the Temporary Emergency Food Assistance Program (TEFAP) through September 30, 1987. The third subtitle authorizes expanded food, nutrition, and consumer education programs and expands nutrition monitoring of the needy.

Food Stamp Eligibility and Benefits

The 1985 Act amends several provisions of the Food Stamp Act of 1977 relating to eligibility requirements and benefits of the FSP. Figure 7 illustrates the use of the Food Stamp Program, by State, for fiscal year 1984.

Residents of publicly operated community mental health centers were eligible to participate in the FSP during fiscal years 1984-85; the 1985 Act makes the eligibility permanent. Only narcotic addicts or alcoholics who lived under the supervision of a private nonprofit institution for participation in a drug or alcoholic treatment program had been eligible for food stamps before the legislated changes. The 1985 Act also authorizes these centers to accept food stamps.

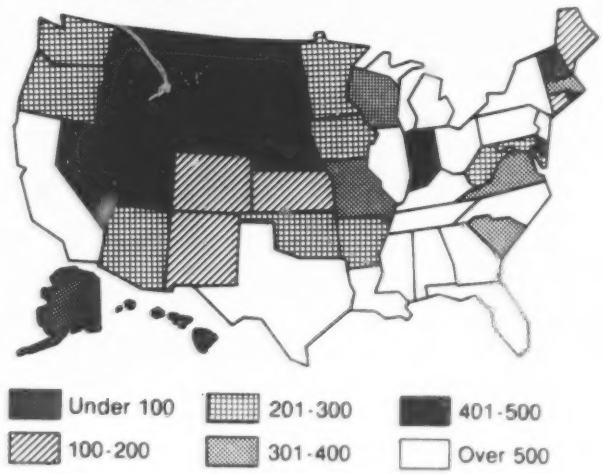
The 1985 Act expands the definition of disabled persons. Households with disabled members are permitted a medical care deduction and an unlimited excess shelter cost deduction. Gross income less deductions equals net income, which is used in determining eligibility and benefit levels. The expanded definition of disabled will include the following:

- Recipients of State-financed Supplemental Security Income (SSI) benefits who do not receive Federal SSI benefits. The State SSI benefits must be based on SSI disability criteria or criteria used under pre-SSI programs for aid to the permanently and totally disabled and blind.
- Recipients of public disability retirement pensions who have a permanent disability based on special Social Security Administration rules.
- Veterans receiving pensions for nonservice-connected disabilities.
- Recipients of railroad retirement disability annuities who must meet

Figure 7

Average Monthly Participation in the Food Stamp Program, by State, 1984

Thousand participants



Social Security Administration disability criteria to receive their annuity or qualify for Medicare.

Households in which all members receive payments under either the Aid to Families with Dependent Children (AFDC) Program or the SSI Program will be automatically eligible to receive food stamps through September 30, 1989. These households will not have to meet the income standards or asset standards that other households must meet to qualify for food stamps. These households will not be terminated from the FSP solely on the basis of termination from the AFDC or SSI programs. The Secretary must report to Congress by December 23, 1987, on the effect of categorical eligibility on program administration, error rates, eligibility levels, and benefit costs.

The portion of an educational grant, loan, or other educational assistance that is used to pay tuition and mandatory fees for postsecondary education will be excluded from household income for the purposes of determining eligibility and benefit levels. The exclusion previously applied only to students in institutions of higher education. Educational loan origination fees and insurance premiums will also be excluded. Farmers may now reduce their countable income by the losses incurred from their self-employed farm operations. Earnings from on-the-job training programs under the Job Training Partnership Act will count as earned income, except for dependents under age 19. The earned income deduction will increase from 18 percent to 20 percent of earned income, effective May 1, 1986. This deduction compensates households for mandatory work-related expenses such as taxes and union dues.

Effective May 1, 1986, the combined deduction for actual dependent care costs and excess shelter costs will be separated. The maximum deduction for dependent care costs will be $160 per month with no adjustments for inflation or geographic variations. The maximum excess shelter cost deduction will be $147 per month in the 48 contiguous States and the District of Columbia. The deductions for Alaska, Hawaii, Guam, and the U.S. Virgin Islands will reflect the differences in their shelter costs. The maximum deduction will continue to be revised each October based on changes in the shelter costs of the Consumer Price Index for all urban consumers. The maximum combined monthly dependent care and excess shelter cost deduction was previously $139 in the 48 contiguous States and the District of Columbia, $242 in Alaska, $199 in Hawaii, $169 in Guam, and $102 in the U.S. Virgin Islands.

On May 1, 1986, the $1,500 asset limit for nonelderly households increases to $2,000. Assets include cash and resources that can easily be converted to cash such as checking and savings accounts, stocks, and bonds. Only the equity value or the portion of the fair market value exceeding $4,500, whichever is more, of certain vehicles will be counted as an asset. The $1,500 asset limit for households composed of one elderly person only rises to $3,000. Under previous legislation, the $3,000 limit applied only to households of two or more persons, when at least one of the persons was age 60 or over.

The 1985 Act specifies that if a household member other than the head of the household does not comply with certain work requirements, then only that household member is barred from the FSP. Previous legislation disqualified an entire household if any household member failed to comply with the work requirements. If the household head fails to meet the work requirements, the entire household is still disqualified from receiving food stamps. The normal disqualification period for failing to meet the work requirements is 2 months. Each adult member of a food stamp household must repay the value of food stamps that were overissued to the household.

Household heads age 16 and 17 will no longer be automatically exempt from meeting the work requirements. These persons must comply with the work requirements if they are not attending school at least half-time or participating in an employment and training program. Previous legislation did not impose the work requirements on persons under age 18.

State agencies must provide a means for certifying and issuing food stamps to eligible homeless people and to ensure that only eligible homeless people participate in the FSP. States will be prohibited from participating in the Food Stamp Program if the Secretary determines that State or local sales taxes are collected for food purchased with food stamps. This provision becomes effective on October 1 of the calendar year in which the State legislature next meets for a regular session. The Secretary may extend this date, if necessary, but to no later than October 1, 1987.

The existing pilot projects that provide cash rather than food coupons to households composed entirely of persons age 65 or over or persons eligible for SSI will continue through September 30, 1990, at the request of the States. These pilot projects would have ended December 31, 1985.

States may stagger issuance of food stamp benefits throughout the entire month as long as no household goes longer than 40 days without receiving food stamps. Previous legislation had required States to issue food stamps during the first 15 days of the month. The Secretary must require States to issue food stamp benefits through specified alternative methods if the methods improve the integrity of the program. Previous legislation allowed alternative methods for issuing food stamp benefits at the discretion of the Secretary.

The Secretary may allow States to test simplified applications for food stamps and standardized benefits in five statewide and five local sites. In these sites, households with members who receive AFDC, SSI, or Medicaid benefits will be eligible to receive food stamps regardless of the household's income and asset level, as long as the income does not exceed 130 percent of the Federal poverty level. Benefits to these households would be based on the size of the household and the AFDC benefits, the income eligibility standard for Medicaid, or at State option, the AFDC or Medicaid needs standards. However, the average food stamp benefits may not be less than the average that would have been provided under regular procedures.

States may collect the value of food stamps that were overissued to recipients through unemployment compensation agencies. State food stamp agencies would reimburse these agencies for the cost of collecting overpaid food stamp benefits. As with other means of collection in cases of intentional violation, States can keep 50 percent of the money collected.

Food Stamp Funding Levels

The 1985 Act provides funding ceilings for the FSP through fiscal year 1990 (table 10). In determining these levels, Congress used Congressional Budget Office estimates of the cost of the Food Stamp Program (including effects of the 1985 Act) and added 3 percent to the estimate in fiscal year 1986, 5 percent in fiscal year 1987, 6 percent in fiscal year 1988, and 7

Table 10—Authorized funding for the Food Stamp Program 1/

Fiscal year	Funding level
	Billion dollars
1986	13.037
1987	13.936
1988	14.741
1989	15.435
1990	15.970

1/ Includes Puerto Rico's nutrition assistance block grant.

percent in fiscal years 1989 and 1990. The totals include the annual allocation for Puerto Rico's nutrition assistance block grant.

The Secretary must make reductions in any fiscal year when benefit requirements will exceed the authorized funding levels. Under previous legislation, the Secretary was required to reduce benefits when benefit requirements exceeded the funding provided.

Employment and Training Programs

Each State must implement an employment and training program by April 1, 1987, to assist food stamp recipients in obtaining skills, training, and experience that will increase their chances of finding employment. A State may disqualify a person from the FSP for refusing to participate in an employment and training program.

An employment and training program is defined as a program that meets at least one of the following requirements:

- Job search programs with terms and conditions comparable to those for job search in the Aid to Families with Dependent Children (AFDC) Program. However, the State is not required to pay participant expenses in excess of $25 per month per participant and may require a job search at the time of the application.

- Training programs determined by the State to enhance the ability of food stamp recipients to search for jobs or obtain employment.

- Workfare programs as described in the Food Stamp Act.

- Programs that provide work experience or training or both and that enable program participants to move promptly into regular public or private employment.

- Other programs, projects, or experiments such as supported work programs, as approved by the Secretary.

The States will design employment and training programs subject to the approval of the Secretary. Work assignments under the program must serve a useful public purpose and should take into consideration the participant's prior training, experience, and skill, if possible. Under no circumstances should the work assignments in the employment and training program lead to the dismissal of workers not participating in the program. Work programs must provide participants the same benefits and working conditions as nonparticipants who perform comparable work for a similar number of hours.

A participant is required to work a number of hours equal to the household's monthly food stamp benefit divided by the Federal or State minimum wage, whichever is higher. The total number of required work hours, including any training program or other employment, cannot exceed 120 per month. The 1985 Act requires the States to reimburse all participants in the employment and training program for their actual transportation costs and other costs that are reasonably necessary and directly related to their participation in the program. However, the States may limit the reimbursement to $25 per month per participant.

The States may establish employment and training programs where participation is voluntary. Persons exempt from the program must be permitted to participate to the extent the State determines it to be practicable. The States may exempt persons from participating if participation would be impracticable for a number of reasons

including lack of job readiness and employability, the remote location of work opportunities, and the lack of child care. Entire categories of food stamp recipients could be exempt if a State determines that a participation requirement would be impracticable due to lack of work opportunities and the cost effectiveness of requiring participation. For example, all recipients in a specified geographic area with high levels of unemployment could be exempt from an employment and training program. Recipients participating in the FSP for fewer than 30 days could also be exempt, subject to the Secretary's approval.

The 1985 Act requires the Secretary to take the following actions concerning establishing and implementing an employment and training program:

- Issue guidelines to ensure that employment and training programs are provided to native Americans on reservations.

- Set performance standards that designate the minimum proportions of nonexempt persons subject to the work requirements. These standards must be in place within 18 months after implementing an employment and training program. The standards cannot exceed 50 percent of nonexempt persons through September 1989.

- Vary performance standards based on differences in the types of persons required to participate and the type of employment and training program established. The performance standards must reflect the cost to the States and the extent of participation by persons exempt from the program.

- Consider voluntary participation and other factors such as reduced food stamp participation, when determining if a State complied with the performance standard.

- Ensure that States meet the employment and training program requirements outlined in their State plans. The Secretary may withhold Federal funds for food stamp administration and operation of employment and training programs if a State fails to meet, without good cause, the program requirements or performance standard.

- Allocate to the States, from funds appropriated for the Food Stamp Program, the following amounts for operating an employment and training program: $40 million in fiscal year 1986, $50 million in fiscal year 1987, $60 million in fiscal year 1988, $75 million in fiscal year 1989, and $75 million in fiscal years 1990-91. The Secretary may reimburse the States for 50 percent of the costs exceeding those allocated from the above funds.

- Submit a report on the effectiveness of the employment and training programs to Congress by January 1, 1989.

Workfare

Heads of households who are 16 or 17 years old will no longer be exempt from complying with the workfare program unless they are attending school at least half-time or enrolled in an employment or training program. The 1985 Act revises provisions for persons exempt from work requirements in the FSP because they are participating in a community work experience program under the AFDC program. The maximum number of hours of work per month required under the AFDC work program will equal the amount of AFDC benefits plus the value of food stamps divided by the Federal or State minimum wage, whichever is higher. Under previous legislation, the maximum number of work hours permitted did not reflect the receipt of food stamps.

Program Administration

The 1985 Act contains several provisions relating to the administration of the FSP, either by the States or by USDA. States may now operate the FSP and Commodity Distribution Programs in the same area. Previous legislation had banned the Commodity Distribution Program from operating in the same area as the FSP. Exceptions were where federally donated commodities were distributed to victims of natural disasters or to participants in the Commodity Supplemental Food Program, the Food Distribution Program on Indian reservations, or the Temporary Emergency Food Assistance Program.

The Secretary must establish a disaster task force to assist the States in providing food stamps as quickly as possible during disasters. The task force will consist of appropriate food stamp, disaster, and related program personnel at national and regional levels. The Secretary will send task force members to disaster areas when it would be cost effective. The task force will provide technical assistance to State and local officials by coordinating policy matters and monitoring the emergency assistance efforts.

The Secretary must study the food stamp quality control system to determine the best method for obtaining information that would enable States to improve program administration and to provide data for use in withholding Federal funding for excessive error rates. Further, the Secretary must contract with the National Academy of Sciences for an independent study on the quality control system. These studies are due to Congress by December 23, 1986.

Until June 23, 1986, the Secretary may not reduce a State's Federal share of food stamp administrative costs because the State had excessive error rates in administering the program. The Secretary must restructure the food stamp quality control system, publish regulations about the new system before June 23, 1987, and begin implementing the system by December 23, 1987. The new system will take into account the results of the two studies on the existing quality control system.

The 1985 Act requires the Secretary to develop a model plan on the automation of data processing and computerization of information systems for the FSP. This plan must be ready for comments by October 1, 1986, and finalized by February 1, 1987. The States must submit plans for improved automated data processing and information retrieval systems by October 1, 1987, for the Secretary's approval and begin implementing the plans by October 1, 1988. The State plans must be based on the Secretary's model plan. The Secretary must submit a report to Congress by April 1, 1988, evaluating each State's plan. The report will analyze any additional steps that each State needs to take to ensure cost-effective, efficient computer systems. The report must be updated periodically.

Financial institutions may not charge a fee for redeeming food stamps if the stamps are submitted according to Federal Reserve requirements.

One adult member of all households applying for food stamps must certify in writing, under penalty of perjury, that all information contained in the application and periodic reports is accurate. The 1985 Act mandates verification of household size, where questionable, and permits States to require verification of other information that is used in determining eligibility. The Secretary may require States to use photographic identification cards if the use of the cards would preserve program integrity and be cost effective. States may let households use photographic identification cards issued under another public assistance program. Under previous

legislation, the Secretary could only authorize photographic identification cards if the cards were needed in project areas to protect program integrity.

The Secretary must develop standards for periodic review of the hours that food stamp offices are open to ensure that employed persons have access to the program. Administrative units will be established in project areas with 5,000 or more participating households to detect, investigate, and assist in prosecuting people suspected of committing food stamp fraud.

States must encourage food stamp recipients to participate in the Expanded Food and Nutrition Education Program (EFNEP). State agencies should allow EFNEP officials, where practicable, to display information about EFNEP in food stamp offices.

Effective October 1, 1986, applicants and recipients of SSI and Social Security will be informed of the availability of the Food Stamp Program, assisted in making a simple application to receive food stamps, and certified for food stamps based on information in Social Security files. The Secretary must report to Congress by April 1, 1987, on the nature and extent of costs incurred by the Secretary of Health and Human Services in providing Food Stamp Program information and simplified applications at Social Security Administration offices.

Puerto Rico Block Grant

The funding levels authorized for Puerto Rico's nutrition assistance block grant program remains at $825 million for fiscal year 1986 but increases in each of the following years (table 11). This program was initiated in July 1982 to replace the Food Stamp Program in Puerto Rico and was funded at $825 million per year.

Table 11—Authorized funding levels for Puerto Rico's nutrition assistance program

Fiscal year	Funding level
	Million dollars
1986	825.00
1987	852.75
1988	879.75
1989	908.25
1990	936.75

Commodity Programs

The Secretary may purchase and distribute commodities for use in the Commodity Supplemental Food Program, the Food Distribution Program (on Indian Reservations and in the Trust Territory of the Pacific Islands), and in summer camps, charitable institutions, and declared disaster areas through September 30, 1990. Title XV extends the authority for commodity purchases and distribution mandated by the Agriculture and Consumer Protection Act of 1973, as amended. To provide nutrition assistance to the needy, nonprofit organizations (such as schools) receiving commodities under section 32 of the Act of August 24, 1935, may transfer their commodities to other nonprofit organizations that can use them without waste or cost to low-income persons.

Commodity Supplemental Food Program

The 1985 Act extends authority for the Commodity Supplemental Food Program (CSFP) and the elderly feeding pilot projects through September 30, 1990. The act also increases administrative funds by 15 percent of the value of bonus and donated commodities outside the food packages. Local agencies may distribute CSFP commodities to low-income elderly persons if the funds they receive to operate the program exceed those necessary for women, infants, and children, subject to the approval of the Secretary. Moreover, the Secretary must approve additional CSFP

sites if funds are available and if the new sites will not reduce existing participation by women, infants, children, or the elderly.

Commodity Distribution

The commodity distribution subtitle contains the following provisions.

Definition of Emergency Feeding Organizations

Emergency feeding organizations include charitable institutions, food banks, hunger centers, soup kitchens, and similar public or private nonprofit agencies. These organizations have priority for receiving commodities and Federal assistance in paying for distribution costs.

Availability and Distribution of Commodities

The Secretary may distribute commodities to agencies that operate the Temporary Emergency Food Assistance Program (TEFAP). These commodities include, but are not limited to, dairy products, wheat or wheat products, rice, honey, and corn meal. Beginning April 1, 1986, the Secretary must report to Congress semiannually on the types and amounts of commodities made available for distribution under TEFAP. Commodities will be available for distribution through the commodity distribution programs at no charge or credit if they are available in CCC inventories and not otherwise committed. States are encouraged to offer TEFAP in rural areas. Department of Defense commissary stores may donate surplus, unmarketable food to local food banks.

The 1985 Act extends the National Commodity Processing Program through June 30, 1987. Under this program, the USDA enters into agreements with processors to convert commodities into various end products desired by recipient agencies such as schools participating in the National School Lunch Program.

TEFAP Funding

The authorization level for TEFAP funding is $50 million annually for fiscal years 1986-87. This money must be used for the State and local costs incurred in operating the program. Beginning January 1, 1987, the States must match Federal funds on a dollar-for-dollar basis for funds not provided to emergency feeding organizations, using cash or in-kind contributions. States that will not hold legislative sessions by January 1, 1987, will have until October 1, 1987, to match TEFAP administrative funds. Under the 1985 Act, TEFAP ends September 30, 1987.

TEFAP Reports

The Secretary must submit an annual report on the extent that donated commodities displace commercial sales. The Secretary also must report to Congress by April 1, 1987, on the volume and types of commodities distributed under TEFAP; the types of State and local agencies receiving the commodities; the populations served by the program and their characteristics; the Federal, State, and local costs of commodity distribution operations; and the amount of Federal funds allocated to cover State and local costs.

Nutrition and Miscellaneous Provisions

The nutrition and miscellaneous subtitle contains the following provisions.

Cash-in-Lieu of Commodities and Commodity Letters of Credit

The 1985 Act allows school districts which participated in the pilot project study of cash-in-lieu of commodities and commodity letters of credit under the National School Lunch Program to continue receiving this alternative form of assistance through June 30, 1987. These school districts may receive bonus commodities to the same extent as other school districts, but only in the form of commodities and not cash-in-lieu of commodities or letters of credit.

Gleaning of Fields

State and local governments are encouraged to enact tax and other incentives for producers who allow nonprofit organizations to collect and distribute unharvested food and for shippers who donate or charge reduced rates for transporting gleaned food.

Food, Nutrition, and Consumer Education

State Cooperative Extension Services must expand food, nutrition, and consumer education programs for low-income persons. States may use the existing Expanded Food and Nutrition Education Program in operating the expanded program. The Secretary must evaluate the effectiveness of the expanded program and report to Congress by April 1, 1989. Authorized funding levels for the expanded program are shown in table 12. These funds supplement any other funds allocated for State Cooperative Extension Service activities for food, nutrition, and consumer education.

Table 12—Authorized funding levels for an expanded food, nutrition, and consumer education program

Fiscal year	Funding level
	Million dollars
1986	5
1987	6
1988	8
1989	8
1990	8

Nutrition Monitoring

The Secretary must include a representative sample of low-income persons in USDA's Continuing Survey of Individual Food Intake and any nationwide food consumption survey. USDA must collect data on food purchases and other household expenditures by low-income persons.

Title XVI: MARKETING

Provisions in this title are new, unless otherwise indicated, and are grouped into five subtitles: Beef Promotion and Research Act of 1985; Pork Promotion, Research, and Consumer Information Act of 1985; Watermelon Research and Promotion Act; Marketing Orders; and Grain Standards. Table 13 compares the major features of the promotion orders. Cotton, dairy, eggs, potatoes, wheat, and wool currently have promotion programs in effect.

Beef Promotion and Research Act of 1985

This subtitle replaces the Beef Research and Information Act of 1976. It establishes a procedure (referred to as an order) for carrying out a promotion and research program to strengthen the beef industry's position in the marketplace, and to maintain and expand markets and uses of beef and beef products. Financing will be provided through assessments on all cattle sold in the United States and beef

Table 13—Beef, pork, and watermelon promotion programs

Item	Beef order	Pork order	Watermelon plan
Implementation	Mandatory	Mandatory	Based on Secretarial findings
Effective date	120 days after publication of proposed order	90 days after issuance of final order	Not specified
Persons affected	Beef producers and importers	Pork producers and importers	Watermelon producers and handlers
Administrative organizations	Cattlemen's Beef Promotion and Research Board	National Pork Producers Delegate Body	National Watermelon Promotion Board
	Beef Promotion Operating Committee	National Pork Board	
Assessment rate	$1 per head of cattle or the equivalent for beef and beef products	0.25-0.50 percent of the market value of hogs or pork	Equal amounts from producers and handlers
Referendum:			
Date	Not later than 22 months after issuance of the order	24 to 30 months after issuance of the order	Not specified
Approval required for—			
Continuation	Majority of those voting	Majority of those voting	n.a.
Implementation	n.a.	n.a.	Two-thirds of those voting (or those voting who control two-thirds of the watermelons produced and handled during a specified period) and a majority of both producers and handlers voting

n.a. = Not applicable.

products imported into this country. The Secretary must issue a beef promotion and research order within 120 days after publishing a proposal for such order and holding a public hearing.

The order establishes a Cattlemen's Beef Promotion and Research Board, composed of beef producers and importers. The board will administer the order, elect members to serve on the Beef Promotion Operating Committee, investigate violations of the order, and recommend order amendments to the Secretary. Producer representation on the board will be based on one representative for each State with 500,000 or more cattle. Those States with fewer than 500,000 cattle will be combined into regional units containing at least 500,000 cattle, with one representative for the region. States with over 500,000 head will get an additional representative for each additional million cattle. Importer representation will be determined by the Secretary on a proportional basis by converting volume of imported beef and beef products into live animal equivalents.

The Secretary will appoint board members from nominations made by certified State organizations. More than one organization may be certified in a State. To represent producers, a State cattle association or general farm organization must meet the following criteria:

- A majority of its paid membership must be cattle producers or its membership must represent a majority of the cattle producers in the State;

- It must represent a substantial number of producers that produce a substantial number of cattle in the State;

- It must have a history of stability and permanency; and

- Its primary purpose must be to promote the economic welfare of cattle producers.

Ten members elected by the board and 10 producers elected from qualified State beef councils will serve on the Beef Promotion Operating Committee. A qualified State beef council is the beef promotion organization in the State recognized by the board. To be elected by the State councils, the 10 producers must also be State council directors. The committee must develop promotion, research, consumer information, and industry information projects. In drafting these projects, the committee, to the extent practicable, must take into account similarities and differences among beef, beef products, and veal, and must ensure that segments of the beef industry that enjoy a unique consumer identity receive equitable and fair treatment.

Assessments to finance the order will be collected from persons buying cattle from producers (qualified State beef councils will collect the assessments in their State) and beef importers (funds will be paid directly to the board). The assessment rate will be $1 per head of cattle or the equivalent thereof in the case of imported beef and beef products. Producers who participate in a program operated by a qualified State beef council will receive credit of up to 50 cents per head. The board must establish an escrow account to be used for assessment refunds. Any person who paid the assessment and does not support the program may receive a one-time refund. Insufficient funds in the escrow account cannot be the basis for not providing the person a refund, unless the order is discontinued. At that time, the board must prorate the amount of refunds among all eligible persons who demanded a refund.

A referendum must be conducted not later than 22 months after issuance of the order among persons who have been producers or importers during a representative period. Continuation of the order requires majority approval of producers voting in the referendum. The Secretary may conduct further referendums on request of 10 percent or more of producers to determine whether producers favor termination of the program. The Secretary must stop collection of assessments within 6 months after discontinuing the order. All referendums will be conducted at county Extension offices and allow requests for absentee ballots.

U.S. district courts will have jurisdiction to enforce regulations issued under this act. The Secretary may investigate alleged violations of the order. The Secretary can assess a civil penalty of not more than $5,000 for each violation. Funds collected by the board cannot be used to influence Government policy. This order does not preempt or supersede other beef promotion programs operated in the United States.

The Beef Research and Information Act of 1976 authorized a beef promotion order for cattle producers. For the order to become effective, producer approval was required; two-thirds of those voting in a referendum had to favor the program. A referendum was held in July 1977 with 56.4 percent voting for the order. Lacking the required level of approval, no program was implemented. Congress amended the 1976 Act in 1979, changing the two-thirds requirement to a simple majority. Another

referendum was held in February 1980. Only 34.5 percent of the producers voted favorably; again, no order was implemented.

Pork Promotion, Research, and Consumer Information Act of 1985

This subtitle establishes a procedure (also called an order) for carrying out a program of promotion, research, and consumer information to strengthen the position of the pork industry in the marketplace, and to maintain, develop, and expand markets for pork and pork products. The Secretary must issue an order, effective 90 days after publication.

The order establishes a National Pork Producers Delegate Body. The duties of the body include recommending the initial rate of assessment (and any increase thereafter) and allocating the aggregate amount of assessments collected to State associations. This body will consist of producers and importers appointed by the Secretary from nominees selected by State associations. A State association is the one organization of pork producers in the State recognized by the State's Governor. If no such organization is recognized, a State association may be an organization of at least 50 pork producers that markets at least 10 percent of the pork (measured in pounds) sold in the State.

At least two producer members must be appointed to the body from each State, with additional membership allocated based on market shares. For 1986, shares will be assigned based on one share for each $400,000 of farm market value of hogs marketed from the State (as determined by the Secretary based on the annual average of farm market value in the most recent 3 calendar years), rounded to the nearest $400,000. For 1987 and thereafter, shares will be determined based on one share for each $1,000 of the aggregate amount of assessments collected, minus refunds, rounded to the nearest $1,000. If the number of shares is less than 300, the State can have two producer members; 300-599, three producer members; 600-999, four producer members; and more than 1,000, one additional member for each 300 additional shares in excess of 1,000 shares, rounded to the nearest 300.

Shares will be assigned to importers, for 1986, based on one share for each $575,000 of market value of imported hogs, pork, or pork products (as determined by the Secretary based on the annual average of imports in the 3 most recent calendar years), rounded to the nearest $575,000. For each year thereafter, shares will be allocated based on one share for each $1,000 of the aggregate amount of assessments collected, minus refunds, from importers, rounded to the nearest $1,000. Three importer members will be appointed to the body for the first 1,000 shares, and one additional member for each 300 shares in excess of 1,000 shares, rounded to the nearest 300.

The order also provides for a 15-member National Pork Board, composed of producers representing at least 12 States and importers. The Secretary will appoint the members from nominees submitted by the body. The board must develop promotion, research, and consumer information projects; submit such projects to the Secretary for approval; administer the order; investigate alleged violations of the order; and recommend order amendments to the Secretary.

The assessment rate to finance the order will initially be the lesser of 0.25 percent of market value of hogs, pork, or pork products sold or imported or an amount established by the Secretary based on a recommendation by the body. The rate may be increased, but by not more than 0.1 percent per year with an upper limit on the total assessment rate of 0.5 percent. Any increase in the rate above 0.5

percent must be approved by producers and importers in a referendum. Any person who paid the assessment but does not support the program may receive a refund.

Funds collected by the board from assessments must be distributed in the following manner. Each State association will receive an amount of funds equal to the aggregate amount of assessment attributable to hogs produced in that State, minus its share of refunds, times a percentage determined by the body, but in no event less than 16.5 percent. If a State association conducted a pork promotion program between July 1, 1984, and June 30, 1985, and would have collected a greater amount of funds than their allotment, it will receive the larger amount.

The National Pork Producers Council will receive an amount of funds equal to 37.5 percent of the aggregate amount of assessments collected throughout the United States from the date the assessment begins until the board is appointed; 35 percent thereafter until the referendum is conducted; 25 percent until 12 months after the referendum is conducted; and no funds thereafter except what it obtains from the board. Any funds not distributed will be kept by the board. No funds collected through the assessments may be used to influence legislation or Government policy.

For the order to remain in force, a referendum must be held between 24 and 30 months after the issuance of the order among persons who have been pork producers and importers during a representative period. Continuation of the order requires majority approval of producers and importers voting in the referendum. Further referendums, to determine termination or suspension of the order, may be conducted on request of 15 percent or more of producers and importers during a representative period. The Secretary need not conduct more than one referendum in a 2-year period.

U.S. district courts have the jurisdiction to enforce regulations issued under this act. The Secretary may investigate alleged violations of the order. The Secretary may assess any person a civil penalty of not more than $1,000 for each violation plus any unpaid assessment. States may not impose additional or different regulations relating to pork promotion, except regulations related to public health, during the time that assessments are collected.

Watermelon Research and Promotion Act

This subtitle authorizes the Secretary to establish an orderly procedure for developing and financing a program of research, advertising, and promotion designed to strengthen the watermelon's competitive position in the marketplace, and to establish, maintain, and expand domestic and foreign markets for watermelons produced in the United States. Financing for the program will come from assessments on watermelons harvested in the 48 contiguous States for commercial use. When sufficient evidence, as determined by the Secretary, is presented by watermelon producers and handlers, or whenever the Secretary has reason to believe that a plan is needed, hearings will be held on a proposed plan. A watermelon promotion plan must be issued if the Secretary finds such plan would carry out the purposes stated above, based on evidence presented at the hearing.

The plan would establish a National Watermelon Promotion Board composed of an equal number of producer and handler representatives and a public representative. Producers and handlers would submit nominations to the Secretary for appointment to the board. The board will develop research and promotion projects, which must be approved by the Secretary before they are implemented; administer the plan; investigate alleged violations; and recommend amendments of the plan to the Secretary.

Assessments which are set by the board must be the same, on a per unit basis, for both producers and handlers. Handlers are responsible for collecting assessments from producers and submitting them to the board. All watermelon producers or handlers who do not support the plan can demand a refund.

After a plan has been issued, the Secretary must conduct a referendum at county Extension offices among eligible producers and handlers during a representative period to ascertain whether they favor the plan or not. For a plan to be implemented, it must be approved by two-thirds of those voting in the referendum or by producers and handlers voting who have control of two-thirds of the watermelons produced and handled during a representative period and by a majority of both producers and handlers voting. The Secretary may conduct further referendums at any time, at the request of the board, or at the request of at least 10 percent of the watermelon producers and handlers eligible to vote in a referendum. The Secretary must discontinue the plan when its termination or suspension is favored by a majority of those voting in the referendum and by those producers and handlers voting who control more than 50 percent of the total volume of watermelons produced and handled by those voting in the referendum.

The Secretary may investigate alleged violations of the plan. The Secretary may assess a civil penalty of not less than $500 nor more than $5,000 for each violation. Funds may not be used to advertise or promote private brand names, to make false or unwarranted claims of watermelons or uses of competing products, or to influence Government policy.

Marketing Orders

The maximum penalty for marketing order violations occurring after December 23, 1985, increases from $500 to $5,000.

The 1985 Act prohibits the Secretary from terminating any marketing order before January 16, 1986. The Secretary also may not terminate any order for a commodity for which there is no Federal price support program, unless Congress is notified 60 days before the termination date. A statement of reasons must be included in the notice.

The 1985 Act prohibits the disclosure of any marketing order information that can be considered as trade secrets and commercial or financial information that comes within the exemption contained in the Freedom of Information Act. In the case of milk marketing orders, information may be released if authorized by the milk handler to whom the information pertains. To release names and addresses of producers participating in marketing orders and agreements, Congress must be notified at least 10 legislative days prior to the release and the release must be justified by the Secretary.

Grain Standards

The Federal Grain Inspection Service and the Agricultural Research Service must cooperate in developing new grain classifications standards that take into account characteristics other than those visually evident. The agencies must submit semiannual reports on their efforts to Congress.

If any foreign government requests that moisture content remain a criterion in the official grade designations of grain, then such criterion will be used in determining the grade of grain shipped to that country.

The Office of Technology Assessment (OTA), in consultation with the Secretary, must study U.S. grain export quality standards and grain handling practices. The report is due to Congress by December 1, 1986. The 1985 Act specifies five areas of investigation:

- The study must evaluate the competitive problems the United States faces in international grain markets that may be attributed to grain quality standards and handling practices rather than price.

- The study must identify the extent to which U.S. grain export quality standards and handling practices have contributed to the recent decline in U.S. grain exports.

- OTA must perform a comparative analysis between U.S. grain quality standards and grain-handling technologies and those of its major grain export competitors.

- The study must evaluate the consequences on U.S. export grain sales, the cost of exporting grain, and the prices received by farmers should U.S. export grain elevators be subject to requirements that (1) no dockage or foreign material (including dust) once removed from grain be recombined with any grain if there is a possibility that the grain may be exported, (2) no dockage or foreign material may be added to grain that may be exported if it will reduce the grade or quality of the grain or reduce the ability of the grain to resist spoilage, and that (3) no blending of grain with different moisture contents may be permitted if the difference is more than 1 percent.

- OTA must evaluate the current method of classifying grain, the feasibility of using new technology to correctly classify grains, and the effect of new seed varieties on exports and users of grain.

TITLE XVII: RELATED AND MISCELLANEOUS MATTERS

Title XVII contains a variety of sections largely independent of the other titles. Provisions are new unless otherwise indicated.

Processing, Inspecting, and Labeling

As of May 23, 1986, all edible poultry imported into the United States will be subject to the same inspection, sanitary, quality, species verification, and residue standards that are applied to poultry produced in the United States. The poultry must also be processed in facilities with conditions comparable to U.S. plants. Poultry not meeting U.S. standards will be denied entry.

Each foreign country that exports meat to the United States must obtain a certificate issued by the Secretary stating that the country uses reliable analytical methods to ensure compliance with U.S. standards for residues in meat. No meat will be permitted entry from a country that does not obtain a certificate. The Secretary may issue regulations under which cattle, sheep, hogs, goats, and other animals that have been administered an animal drug banned for use in the United States may be imported for human consumption.

The Comptroller General must study USDA's and the Department of Health and Human Services' current product purity and inspection regulations for imported food products. The study must evaluate the effectiveness of Federal regulations and inspection procedures to detect prohibited chemical residues and foreign matter in food or live animals. A report is due to Congress by December 23, 1986.

The Secretary must perform random spot checks of potatoes entering the Northeastern United States and report the findings to Congress.

Agricultural Stabilization and Conservation Committees

The 1985 Act changes some provisions relating to local and county Agricultural Stabilization and Conservation (ASC) committees. These committees, composed of farmers, help administer USDA's commodity and conservation programs. There will be three local administrative areas in each county. In counties with fewer than 150 farmers, the county committee may reduce the number of local administrative areas to one. The Secretary may include more than one county or parts of different counties in a local administrative area when there are insufficient farmers in an area to establish a slate of candidates for a local committee election. Previous law stated that the local areas could not include more than one county or parts of different counties.

The 1985 Act, as amended by P.L. 99-253, requires that each local administrative area have one local committee with at least three members. Elections will be held every 3 years, instead of annually, to choose committee members. Counties with more than three local committees on December 23, 1985, may have more than one committee per administrative area. Only one administrative area may hold an election in any year and only farmers who participate in Federal programs within the area will be eligible to vote.

Each local committee must meet once each year, and members will receive compensation. Additional meetings without compensation may be held at the direction of the county committee and with the approval of the State committee. The 1985 Act also specifies the duties of local ASC committees:

- Serve as advisors to the county committee, in counties where there is more than one local committee;
- Periodically meet with the county and State committees to be informed on farm program issues;
- Discuss farm program concerns and issues with local producers;
- Report to county and State committees and other interested persons on changes in farm programs recommended by local producers; and
- Perform other functions as required by law or requested by the Secretary.

The Secretary now has the authority to use local and county committees to carry out other USDA programs and functions in addition to their present duties. These changes apply only to members elected to local committees on January 1, 1986, and thereafter.

National Agricultural Policy Commission Act of 1985

The 1985 Act establishes a National Commission on Agricultural Policy to study the structure, procedures, and methods of formulating and administering U.S. agricultural policies, programs, and practices. Specifically, the commission must examine the following:

- The effectiveness of existing agricultural programs in improving farm income.

- o Possible program improvements to help retain the family farm.
- o The effect of legislative and administrative changes to agricultural policy on planning and long-term profitability of farmers.
- o The effect on farmers of the existing system of formulating and implementing agricultural policy.
- o The effect of national and international economic trends on U.S. agricultural production.
- o The means of adjusting U.S. agricultural policies and programs to meet changing economic conditions.
- o Potential areas of conflict and compatibility between the structure of making agricultural policy and long-term stability in policy and practices.
- o Changing demographic trends and the manner in which such trends affect agriculture.
- o The role of State and local governments in future agricultural policy.

The commission must also study conditions in rural areas of the United States and how these conditions relate to the provision of public services by Federal, State, and local governments. The rural issues to be examined will include the following:

- o An analysis of conditions that reflect the declining rural economy, including economic and demographic trends, and rural and agricultural income and debt.
- o Trends and fiscal conditions of rural local governments.
- o Trends in the delivery of rural public services.
- o The effect of deregulating transportation, telecommunications, and banking industries on the rural economy and delivery of public services.
- o Trends of Federal, State, and local government financing, delivery, and regulation of public services in rural areas.

The commission must submit annual reports of findings and recommendations to the President and Congress before December 23 each year of the commission's existence. The commission is scheduled to terminate on December 23, 1990.

The commission will include 15 members appointed by the President and the chairmen and ranking minority members of the House and Senate agriculture committees. The congressional members serve by virtue of their positions and have full voting rights. The appointed members are selected from nominees representing producers, processors, exporters, transporters, shippers, input suppliers, credit institutions, and consumers. Each State Governor will nominate two to four potential members. The President may not appoint more than one individual from a particular State nor more than seven individuals of the same political party.

National Aquaculture Improvement Act of 1985

This subtitle amends the National Aquaculture Act of 1980 by giving the Secretary primary responsibility for coordinating with the Secretaries of the Departments of

Commerce and the Interior the revision and implementation of the National Aquaculture Development Plan. The plan will include programs of research, assistance, and training. USDA will have primary responsibility for coordinating and disseminating aquaculture information. The 1985 Act designates the Secretary as the permanent chairman of the coordinating group and establishes a National Aquaculture Information Center within USDA. The center must collect and analyze scientific, technical, legal, and economic information relating to aquaculture, including acreage, water use, production, marketing, culture techniques, and other relevant matters. The center will also serve as a repository for the collected information and will arrange with foreign nations for the exchange of information relating to aquaculture.

The Secretary must study the aquaculture industry's access to relevant Federal programs and report the findings to Congress by December 31, 1986. The Secretary of Commerce must also study, and report to Congress by December 31, 1987, the effect on traditional fisheries by competition from commercial aquacultural enterprises. The study must assess adverse effects, by species and geographical region, and recommend measures to offset the effects. The Secretary of the Interior, in consultation with the Secretary of Commerce, must identify, and report the findings to Congress by December 31, 1987, exotic species introduced into the United States as a result of aquaculture activities and determine potential benefits and effects of the introduced species. All three Secretaries must report on the status of U.S. aquaculture and the implementation of the Development Plan to Congress by February 1, 1988.

Funding for administering the Aquaculture Act is authorized at $1 million annually for fiscal years 1986-88.

Special Study and Pilot Project on Futures Trading

USDA and the Commodity Futures Trading Commission must study the manner in which agricultural commodity futures markets and agricultural commodity options markets might be used by producers to provide them with price stability and income protection. The study must also determine the Federal budgetary effect of this approach compared with the cost of the commodity price support programs. The results are due to Congress by December 31, 1988.

The Secretary must also conduct a pilot program in at least 40 counties which actively produce wheat, feed grains, soybeans, and cotton. This program, in cooperation with futures and options market representatives and the chairman of the Commodity Futures Trading Commission, will involve an extensive educational program for a reasonable number of producers, as determined by the Secretary. Producers selected for the program will participate in the trading of these agricultural commodities on a futures or options market in a manner designed to protect and maximize the return on their own production. Under the terms of the project, participating producers will receive assurances from the Secretary that the net return received for their commodities will be no less than the county loan level for the crop.

Animal Welfare

The Secretary must set standards governing the humane care, treatment, and transportation of animals by dealers, research facilities, and exhibitors. These standards will describe minimum requirements for handling, housing, feeding, watering, sanitation, ventilation, shelter from extremes of weather and temperatures, adequate veterinary care, and separation by species; exercise of dogs; and an adequate physical environment for primates. The standards for animals in

research facilities must also include requirements for animal care, treatment, and practices in experimental procedures to ensure that pain and stress to the animals are minimized. Each research facility is required to show upon inspection, and to report at least annually, that these rules are being followed.

Each research facility must establish at least one committee of not fewer than three members appointed by the chief executive officer of the facility. These members must possess sufficient ability to assess animal care and practices in an experimental research facility and represent society's concerns regarding animal welfare. One member must be a veterinarian and another must represent general community interests. The committee must inspect, at least semiannually, all animal study areas and facilities of the research facility. Inspections, however, are prohibited from interrupting any research experiment. The committee must also file a certification report of each inspection. Members of the committee may not release confidential information from the research facility. Each research facility must provide training for scientists, animal technicians, and other personnel involved with animal care and treatment in the facility. The National Agricultural Library must establish an information service on employee training and animal experimentation to reduce animal pain and stress.

Civil penalties authorized under the Animal Welfare Act are increased from $500-$1,500 to $1,500-$2,500. The criminal penalty is increased from $1,000 to $2,500. Provisions in this subtitle take effect December 23, 1986.

CCC Storage Contracts

The 1985 Act amends the CCC Charter Act by stipulating that any contracts for the use of storage facilities of terms greater than 1 year must have an annual rental rate that is less than the rate charged for 1-year contracts. If CCC does not use contracted space and determines that it no longer needs the space, the owner of the facility can be given a reasonable time to lease the space to another person, which would relieve CCC of the remaining terms of the contract.

Emergency Feed Program

Producers may now receive feed through the Emergency Feed Program if they do not have sufficient feed of adequate nutritive value suitable for their type of livestock or poultry. Under previous provisions, producers could qualify for the program only if they had insufficient feed for the estimated period of the emergency. The CCC may make feed available to persons in areas in which feed grains are normally produced but are unavailable because of natural disaster. The feed may be available through feed dealers at a price not less than 75 percent of the county loan rate. CCC bears the cost, including transportation and handling, in making the feed available.

Controlled Substances Production Control

Beginning December 23, 1985, any person convicted under Federal or State law of planting, cultivating, growing, producing, harvesting, or storing a controlled substance will be ineligible for any price supports or payments; farm storage facility loans; crop insurance; disaster payments; any loans made, insured, or guaranteed by FmHA; and payments for the storage of CCC-owned commodities during that and the 4 succeeding crop years.

Unleaded Fuel in Agricultural Machinery

The Secretary and the Administrator of the Environmental Protection Agency (EPA) must jointly conduct a study on the use of fuel containing lead additives and alternative lubricating additives in gasoline engines used in agricultural machinery. The study will analyze potential mechanical problems that may be associated with the use of such fuel in engines. The study must be published in the Federal Register by January 1, 1987, and a report sent to the President and Congress (including public comments) by June 1, 1987.

Between January 1, 1986, and December 31, 1987, the EPA must determine the average lead content of leaded gasoline sold in the United States for each 3-month period. If the actual lead content falls below an average of 0.2 grams of lead per gallon in any 3-month period, the EPA must report to Congress and publish the notice in the Federal Register. Until January 1, 1988, EPA may not issue, under the Clean Air Act, regulations to control or prohibit lead additives in gasoline that would reduce the average lead content to less than 0.1 gram per gallon. To carry out these provisions, $1 million is authorized without fiscal year limitation.

Potato Advisory Commission

The Secretary should consider establishing a Potato Advisory Commission. This commission would address industry concerns including trade, quality inspections, and pesticide use. The recommendations of the commission would be reported to Congress and the public.

Viruses, Serums, Toxins, and Analogous Products

The 1985 Act amends the Virus-Serum-Toxin Act to make it unlawful for any person, firm, or corporation to ship or deliver in intrastate (as well as interstate) commerce any worthless, contaminated, dangerous, or harmful virus, serum, toxin, or analogous product intended for use in the treatment of domestic animals. The Secretary may issue a special license for preparing virus, serums, toxins, and analogous products under expedited procedures with assurances of purity and safety to meet emergency conditions in a limited market, local situation, or other special circumstances. Any virus, serum, or toxin sold for export or intrastate commerce during the 12 months prior to December 23, 1985, would not be considered in violation of the Virus-Serum-Toxin Act (as a result of not being licensed or not being produced in a licensed establishment) until January 1, 1990. The exemption, however, must be claimed by the firm making the product by January 1, 1987.

Federal Insecticide, Fungicide, and Rodenticide Act Funding

Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) funding for fiscal year 1986 is set at $68,604,200. A maximum of $11,993,100 is available for research.

Users Fees for Reports, Publications, and Software

The Secretary may charge reasonable fees for furnishing on request copies of software programs, pamphlets, reports, or other publications, including electronic publications, prepared by USDA.

Confidentiality of Information

USDA must maintain the confidentiality of information it collects for statistical purposes by publishing such data in aggregate form. The information is exempt from

mandatory disclosure and may not be used in judicial or administrative proceedings without the consent of the person involved.

Land Conveyance to Irwin County, Georgia

The Secretary must deliver to the Board of Education of Irwin County, Georgia, a quitclaim deed conveying to the board all rights of the United States to 0.3 acre in Irwin County, Georgia.

National Tree Seed Laboratory

Fees received by the National Tree Seed Laboratory (part of the U.S. Forest Service) for tree seed testing services are considered a reimbursement to current funding to cover the costs of providing the service.

Control of Grasshoppers and Mormon Crickets

The Secretary must implement a program to control grasshoppers and Mormon crickets on all Federal lands. On request of the Federal agency responsible for the land or a State Department of Agriculture, USDA must treat Federal, State, or private lands that have high levels of infestation of grasshoppers or Mormon crickets, unless delaying treatment will optimize biological control and will not cause greater economic damage to adjacent landowners. USDA will pay 100 percent of the cost for control on Federal lands, 50 percent of the cost on State lands, and 33.3 percent of the cost on private rangelands.

Study of a Strategic Ethanol Reserve

The Secretary must study the cost effectiveness, economic benefits, and feasibility of establishing, maintaining, and using a Strategic Ethanol Reserve, in relation to the existing Strategic Petroleum Reserve. The study must be completed by December 23, 1986, and must include the benefits and losses related to the U.S. economy, farm income, employment, Government commodity programs, and the trade deficit from using a Strategic Ethanol Reserve, rather than the Strategic Petroleum Reserve; and an estimate of the savings from storing ethanol as opposed to storing the amount of CCC-held grain necessary to produce the ethanol. The Secretary may establish the reserve if the study shows that a Strategic Ethanol Reserve is cost effective, beneficial to the U.S. economy, and feasible compared with the Strategic Petroleum Reserve.

TITLE XVIII: GENERAL EFFECTIVE DATE

The general effective date of all provisions within this act that do not have separate effective dates is December 23, 1985 (when the President signed the legislation).

APPENDIX I: COMMODITY PROGRAM LEVELS, CROP YEARS 1982-86

Commodity	Unit	1982	1983	1984	1985	1986 1/
Dairy: 2/						
Milk support level 3/	Dollar per cwt	4/13.49 13.10	13.10	4/13.10 12.60	4/12.60 12.10 11.60	11.60
Net CCC purchases (milk equivalent) 5/	Billion pounds	13.8	16.6	10.4	11.5	NYA
Total milk production	do.	135.0	139.0	137.4	140.5	NYA
Wool, support level 6/	Cents per pound	-137	153	165	173	NYA
Mohair, support level 6/	do.	397.7	462.7	516.9	465.0	NYA
Wheat:						
Target price	Dollars per bushel	4.05	4.30	4.38	4.38	4.38
Loan level	do.	3.55	3.65	3.30	3.30	2.40
Reduced acreage	Percent	15	15	20	20	22.50
Paid land diversion	do.	—	5	10	10	7/2.50
Payment-in-kind	do.	—	8/10-30	9/10-20	—	—
National base acreage	Million acres	90.6	90.8	93.9	93.9	NYA
Corn:						
Target price	Dollars per bushel	2.70	2.86	3.03	3.03	3.03
Loan level	do.	2.55	2.65	2.55	2.55	1.92
Reduced acreage 10/	Percent	10	10	10	10	17.50
Paid land diversion 10/	do.	—	10	—	—	7/2.50
Payment-in-kind	do.	—	8/10-30	—	—	—
National base acreage	Million acres	81.5	11/101.1	81.4	83.3	NYA
Grain sorghum:						
Target price	Dollars per bushel	2.60	2.72	2.88	2.88	2.88
Loan level	do.	2.42	2.52	2.42	2.42	1.82
Reduced acreage 10/	Percent	10	10	10	10	17.50
Paid land diversion 10/	do.	—	10	—	—	7/2.50
Payment-in-kind	do.	—	8/10-30	—	—	—
National base acreage	Million acres	7.7	11/101.1	18.4	19.9	NYA
Barley:						
Target price	Dollars per bushel	2.60	2.60	2.60	2.60	2.60
Loan level	do.	2.08	2.16	2.08	2.08	1.56
Reduced acreage 10/	Percent	10	10	10	10	17.50
Paid land diversion 10/	do.	—	10	—	—	7/2.50
National base acreage	Million acres	10.4	11/19.1	11.6	13.2	NYA
Oats:						
Target price	Dollars per bushel	1.50	1.60	1.60	1.60	1.60
Loan level	do.	1.31	1.36	1.31	1.31	.99
Reduced acreage 10/	Percent	10	10	10	10	17.50
Paid land diversion 10/	do.	—	10	—	—	7/2.50
National base acreage	Million acres	10.4	11/19.1	9.9	9.9	NYA
Rye:						
Loan level	Dollars per bushel	2.17	2.25	2.17	2.17	1.63
Upland cotton:						
Target price	Cents per pound	71.00	76.00	81.00	81.00	81.00
Loan level 6/	do.	57.08	55.00	55.00	57.30	55.00
Reduced acreage	Percent	15	20	25	20	25
Paid land diversion	do.	—	5	—	10	—
Payment-in-kind	do.	—	8/10-30	—	—	—
National base acreage	Million acres	15.3	15.4	15.6	15.8	NYA
ELS cotton:						
Target price 6/	Cents per pound	—	—	99.00	103.14	102.48
Loan level 6/	do.	99.89	96.25	82.50	85.95	85.40
Reduced acreage	Percent	—	—	10	10	10
National marketing quota	1,000 bales	157	102	—	—	
National allotment	1,000 acres	120.2	80.1	—	—	—
National base acreage	do.	—	—	68.3	66.0	NYA

See footnotes at end of table.

—Continued

APPENDIX I: COMMODITY PROGRAM LEVELS, CROP YEARS 1982-86—CONTINUED

Commodity	Unit	1982	1983	1984	1985	1986 1/
Rice:						
Target price	Dollars per cwt	10.85	11.40	11.90	11.90	11.90
Loan level	do.	8.14	8.14	8.00	8.00	7.20
Reduced acreage	Percent	15	15	25	20	35
Paid land diversion	do.	—	5	—	15	—
Payment-in-kind	do.	—	8/10-30	—	—	—
National base acreage	Million acres	4.0	4.0	4.2	4.2	NYA
Peanuts:						
Loan level, quota	Dollars per ton	550	550	550	559	607.47
Loan level, additional	do.	200	185	185	148	149.75
Marketing poundage quota	1,000 tons	1,200	1,167	1,134	1,100	1,355
Soybeans, loan level	Dollars per bushel	5.02	5.02	5.02	5.02	5.02
Sugar:						
Loan level, raw cane	Cents per pound	17.00	17.50	17.75	18.00	18.00
Loan level, refined beets	do.	20.15	20.86	20.76	21.06	NYA
Honey, loan level 12/	do.	60.4	62.2	65.8	65.3	64.0

— = Program not used in that crop year.
NYA = Not yet announced.
1/ Levels could change as a result of the Balanced Budget and Emergency Deficit Control Act of 1985.
2/ Figures presented on a marketing year basis, October 1-September 30.
3/ Support level for milk with 3.67 percent milkfat.
4/ For 1982, the support price for milk was $13.39 per cwt from October 1-20 and $13.10 per cwt for the rest of the marketing year. For 1984, the support price was decreased to $12.60 per cwt on December 1. For 1985, the support price was decreased to $12.10 per cwt on April 1 and to $11.60 per cwt on July 1.
5/ Price support purchases of butter, cheese, nonfat dry milk, evaporated milk, and dry whole milk, plus exports on which CCC issued in-kind certificates, less CCC sales for unrestricted use.
6/ Determined by statutory formula.
7/ Payments-in-kind (PIK).
8/ Producers could choose any level of participation from 10 to 30 percent, inclusive. However, for Upland cotton producers, the sum of the PIK acres plus the paid diversion acres could not exceed 30 percent of the base; therefore participants who elected to participate in the paid diversion would decrease their PIK acreage to 25 percent of the base. Producers also had the option of submitting bids to remove their entire crop-specific acreage base from production.
9/ Producers could choose any level of participation from 10 to 20 percent, inclusive.
10/ There are two established bases for the 1982-85 acreage reduction programs for feed grains: one for corn and sorghum; the other for barley and oats.
11/ Combined totals: corn and sorghum; barley and oats.
12/ Determined by statutory formula for the 1982-85 crops.

APPENDIX 2: MAJOR AGRICULTURAL LEGISLATION, 1933-86

Agricultural Adjustment Act of 1933 (P.L. 73-10)
- Signed May 12, 1933
- The first major price-support and acreage reduction program
- Set parity as the goal for farm prices
- Achieved acreage reduction through voluntary agreements with producers
- Regulated markets through voluntary agreements with processors and others
- Used processing taxes to offset cost of program

Agricultural Adjustment Act Amendments of 1935 (P.L. 74-320)
- Signed August 24, 1935
- Gave President authority to impose import quotas when imports interfered with agricultural adjustment programs
- Designated 30 percent of customs receipts to promote agricultural exports and domestic consumption and help finance adjustment programs

Soil Conservation and Domestic Allotment Act (P.L. 74-461)
- Signed February 29, 1936
- Payments to farmers authorized to encourage conservation
- Set parity as the goal for farm income

Agricultural Adjustment Act of 1938 (P.L. 75-430)
- Signed February 16, 1938
- Modified Soil Conservation and Domestic Allotment Act
- Provided for acreage allotments, payment limits, and protection for tenants
- First comprehensive price-support legislation with nonrecourse loans
- Marketing quotas established for several crops

Steagall Amendment of 1941 (P.L. 77-144)
- Signed July 1, 1941
- Required support of many nonbasic commodities at 85 percent of parity or higher
- Amended to require 90 percent of parity and extended for 2 years after World War II

Commodity Credit Corporation Charter Act (P.L. 80-89)
- Signed June 29, 1948
- Provided the legal entity through which USDA stabilizes prices and facilitates the efficient distribution of agricultural commodities

Agricultural Act of 1948 (P.L. 80-897)
- Signed July 3, 1948
- Shifted price supports from fixed to flexible
- Modernized the parity formula

Agricultural Act of 1949 (P.L. 81-439)
- Signed October 31, 1949
- Became part of fundamental legislation along with 1938 Act; last major act without an expiration date
- Superseded 1948 Act, postponing flexible price supports
- Cushioned impact of new parity formula

Agricultural Trade Development and Assistance Act of 1954 (P.L. 83-480)
- Signed July 10, 1954
- Became the basic act for selling and bartering surplus commodities overseas and for overseas relief

Agricultural Act of 1954 (P.L. 83-690)
- Signed August 28, 1954
- Established flexible price supports beginning in 1955
- Authorized a CCC reserve for foreign and domestic relief

National Wool Act of 1954 (Title VII of the Agricultural Act of 1954)
- Authorized direct income payments for wool and mohair equal to the difference between the prices received and certain support levels

Agricultural Act of 1956 (P.L. 84-540)
- Signed May 28, 1956
- Began Soil Bank program for long- and short-term removal of land from production

Consolidated Farm and Rural Development Act (P.L. 87-128)
- Signed August 8, 1961
- Authorized USDA farm-lending activities

Food and Agriculture Act of 1962 (P.L. 87-703)
- Signed September 27, 1962
- Continued feed grain acreage reduction program
- Provided two-tiered feed grain supports with price-support payments and nonrecourse loans
- Proposed a mandatory wheat program, which was voted down by referendum

Agricultural Act of 1964 (P.L. 88-297)
- Signed April 11, 1964
- Established a wheat marketing certificate program
- Began a cotton PIK program

Food Stamp Act of 1964 (P.L. 88-525)
- Signed August 31, 1964
- Provided the legislative base for the Food Stamp Program
- Later superseded by the food stamp provisions (title XIII) of the Food and Agriculture Act of 1977

Food and Agriculture Act of 1965 (P.L. 89-321)
- Signed November 3, 1965
- First in a series of comprehensive, multiyear farm laws; lasted 5 years
- Extended voluntary acreage controls to wheat and cotton
- Extended wheat certificate program from 1964

Agricultural Act of 1970 (P.L. 91-524)
- Signed November 30, 1970
- Provided a more flexible approach to supply control through set-asides
- Limited Government payments to $55,000 per crop

Agriculture and Consumer Protection Act of 1973 (P.L. 93-86)
- Signed August 10, 1973
- Target prices and deficiency payments replaced price-support payments
- Lowered payment limit to $20,000
- Emphasized expanded production to meet world demand

Food and Agriculture Act of 1977 (P.L. 95-113)
- Signed September 29, 1977
- Raised price and income supports
- Continued flexible production controls and target prices
- Established farmer-owned reserve for grains
- Set up new two-tiered peanut program

Food Stamp Act of 1977
- Title XIII of the 1977 Act (permanently amended the Food Stamp Act of 1964)
- Eliminated purchase requirement
- Simplified eligibility determinations

National Agricultural Research, Extension, and Teaching Policy Act
- Title XIV of 1977 Act
- Made USDA the lead Federal agency for agricultural research, extension, and teaching programs
- Consolidated the funding for these programs

Federal Crop Insurance Act of 1980 (P.L. 96-365)
- Signed September 26, 1980
- Expanded crop insurance from experimental program to a national program covering all crops

Agriculture and Food Act of 1981 (P.L. 97-98)
- Signed December 22, 1981
- Contained a number of cost-cutting measures
- Set specific target prices for 4-year length of bill
- Eliminated rice allotments and marketing quotas
- Lowered dairy supports

Omnibus Budget Reconciliation Act of 1982 (P.L. 97-253)
- Signed September 8, 1982
- Froze dairy price supports
- Mandated loan rates and ARP's for 1983 crops

Temporary Emergency Food Assistance Act of 1983 (P.L. 98-8)
- Signed March 24, 1983
- Authorized distribution of CCC-owned foodstuffs to indigent persons

Extra Long Staple Cotton Act of 1983 (P.L. 98-88)
- Signed August 26, 1983
- Eliminated marketing quotas and allotments
- Tied ELS cotton support to Upland cotton through formula

Dairy and Tobacco Adjustment Act of 1983 (P.L. 98-180)
- Signed November 29, 1983
- Froze tobacco price supports
- Launched a voluntary dairy diversion program
- Established a dairy promotion order

Agricultural Programs Adjustment Act of 1984 (P.L. 98-258)
- Signed April 10, 1984
- Froze target price increases provided in 1981 Act
- Authorized paid diversions for feed grains, Upland cotton, and rice
- Provided wheat PIK program for 1984

Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177)
- Signed December 12, 1985
- Designed to eliminate the Federal budget deficit by October 1, 1990
- Mandated annual reductions in Federal outlays including agriculture

Food Security Act of 1985 (P.L. 99-198)
- Signed December 23, 1985
- Allowed lower price and income supports
- Lowered dairy price supports and established dairy herd buy-out program
- Targeted conservation reserve at erosive croplands

Farm Credit Restructuring and Regulatory Reform Act of 1985 (P.L. 99-205)
- Signed December 23, 1985
- Implemented interest rate subsidy for farm loans
- Restructured Farm Credit Administration

Technical Corrections to Food Security Act of 1985 Amendments (P.L. 99-253)
- Signed February 28, 1986
- Made cross compliance for wheat and feed grains discretionary instead of mandatory
- Changed acreage base calculations
- Specified election procedure for local ASC committees

Food Security Improvements Act of 1986 (P.L. 99-260)
- Signed March 20, 1986
- Made further changes in the Act of 1985 (see app. 5)

APPENDIX 3: GLOSSARY OF AGRICULTURAL POLICY TERMS

Acreage allotment. An individual farm's share, based on its previous production, of the national acreage needed to produce sufficient supplies of a particular crop.

Acreage-reduction program (ARP). A voluntary land retirement system in which farmers reduce their planted acreage from their base acreage. Farmers are usually not paid for ARP participation, although it can be required for participation in other agricultural programs.

Advance recourse loans. Price-support loans made early in a crop year to farmers to enable them to hold their crops for later sale, usually within the marketing year. Farmers must repay the recourse loan with interest and reclaim their collateral.

Agricultural Marketing Service (AMS). A USDA agency that establishes standards for grades of cotton, tobacco, meat, dairy products, eggs, fruits, and vegetables; operates grading services; and administers Federal marketing orders.

Agricultural Research Service (ARS). A USDA agency which conducts basic, applied, and developmental research of regional, national, or international concerns in the fields of livestock; plants; soil, water, and air quality; energy; food safety and quality; nutrition; food processing, storage, and distribution efficiency; nonfood agricultural products; and international development.

Agricultural Stabilization and Conservation Service (ASCS). A USDA agency responsible for administering farm price- and income-support programs as well as some conservation and forestry cost-sharing programs; local offices are maintained in nearly all farming counties.

Animal and Plant Health Inspection Service (APHIS). A USDA agency established to conduct regulatory and control programs to protect animal and plant health.

Basic commodities. Six crops (corn, cotton, peanuts, rice, tobacco, and wheat) declared by legislation as requiring price support.

Bilateral agreement. A two-country agreement for the exchange of specified products.

Carryover. The supplies of a farm commodity not yet used at the end of a marketing year. Marketing years generally start at the beginning of the new harvest for a commodity.

Casein. A processed milk byproduct.

Commodity Credit Corporation (CCC). A wholly owned Federal corporation within USDA. CCC functions as the financial institution through which all money transactions are handled for farm price and income support.

Commodity Futures Trading Commission (CFTC). An independent Government commission which regulates trading on the 11 U.S. futures exchanges. CFTC also regulates the activities of numerous commodity exchange members, public brokerage houses, commodity trading advisors, and commodity pool operators.

Conservation district. Any unit of local government formed for the purpose of carrying out a local soil and water conservation program.

Conservation plan. A combination of land uses and practices to protect and improve soil productivity and to prevent soil deterioration from erosion or other adverse effects.

Conservation reserve program. A long-range program under which farmers voluntarily contract to take cropland out of production for 10 to 15 years and devote it to conserving uses. In return, farmers may receive an annual rental payment for the contract period and assistance either in cash or in-kind (PIK) for carrying out approved conservation practices on the conservation acreage.

Converted wetlands. Wetlands that have been drained or otherwise manipulated for the purpose of producing agricultural commodities. See Wetlands.

Crop acreage base. For wheat, feed grains, Upland cotton, and rice, the average of the acreage planted and considered planted to the crop for harvest during the 5 preceding crop years.

Deficiency payment. Government payment made to farmers who participate in feed grain, wheat, rice, or cotton programs; payment rate is per bushel, pound, or hundredweight, based on the difference between a target price and the market price or the loan rate, whichever difference is less. See Target price.

Disaster payment. Federal aid provided to farmers for feed grains, wheat, rice, and Upland cotton when either planting is prevented or crop yields are abnormally low because of adverse weather and related conditions. The Secretary has the option to offer disaster payments for the 1985-90 crops of peanuts, soybeans, sugarcane, and sugar beets.

Environmental Protection Agency (EPA). An independent Government agency established in 1970 and charged with the responsibility of coordinating effective governmental action on the part of the environment.

Export allocation or quota. Control applied to exports by an exporting country to limit the amount of goods leaving that country. Such controls usually are applied in time of war or during some other emergency requiring conservation of domestic supplies.

Extension Service. USDA's educational agency. One of the three partners in the Cooperative Extension Service with State and local governments. All three share in financing, planning, and conducting the education programs.

Extra long staple (ELS) cotton. Long staple is considered cotton that is 1-3/8" or more in length. Most ELS cotton is grown in the Southwest and called American Pima cotton.

Family-size farm. A farm that (1) produces agricultural commodities for sale in such quantities so as to be recognized in the community as a farm and not a rural residence; (2) produces enough income (including off-farm employment) to pay family and farm operating expenses, pay debts, and maintain the property; (3) is managed by the operator; (4) has a substantial amount of labor provided by the operator and family; and (5) uses seasonal labor during peak periods and a reasonable amount of full-time labor.

Farm. Defined by the Bureau of the Census in 1978 as any place that has or would have had $1,000 or more in gross sales of farm products.

Farm acreage base. The total of the crop acreage bases (wheat, feed grains, Upland cotton, and rice) for that farm for that year, the average acreage planted to soybeans, and the average acreage devoted to conserving uses (excluding ARP's).

Farm Credit Administration. The Government agency responsible for the supervision, examination, and coordination of the Farm Credit System.

Farm Credit System. A system of borrower-owned banks providing loans to the agricultural sector. Federal land banks make long-term farm and rural real estate loans. Federal intermediate credit banks provide funds to production credit associations that make short- and intermediate-term loans to farmers, ranchers, farm-related businesses, and commercial fishermen. Banks for cooperatives make loans to all kinds of agricultural and aquatic cooperatives.

Farmer-owned reserve (FOR). Program designed to provide protection against wheat and feed grain production shortfalls and provide a buffer against unusually sharp price movements. Farmers place their grain in storage and receive extended nonrecourse loans for 3 years, with extensions as warranted by market conditions. Interest on the loan may be waived, and farmers may receive annual storage payments from the Government. Farmers cannot take grain out of storage without penalty unless the market price reaches a specified "release price." When the release price is reached, farmers may elect to remove their grain from the reserve but are not required to do so. However, at that point the storage and interest incentives may be reduced or eliminated.

Farmers Home Administration (FmHA). A USDA agency that provides credit for those in rural America who are unable to get credit from other sources at reasonable rates and terms.

Federal crop insurance. A voluntary risk management tool, available to farmers since the thirties, that protects them from the economic effects of unavoidable adverse natural events. Administrative costs are appropriated by the Congress and 30 percent of the insurance costs are federally subsidized.

Federal Crop Insurance Corporation (FCIC). A wholly owned Federal corporation within USDA that administers the Federal Crop Insurance Program.

Federal Grain Inspection Service (FGIS). A USDA agency that establishes official U.S. standards for grain and other assigned commodities and administers a nationwide inspection system to certify those grades.

Federal marketing orders and agreements. To promote orderly marketing, a means authorized by legislation for agricultural producers to collectively influence the supply, demand, or price of particular commodities. Approved by a required number of a commodity's producers--usually two-thirds--the marketing order is binding on handlers of the commodity. It may limit total marketings, prorate the movement of a commodity to market, or impose site and grade standards.

Feed grain. Any of several grains most commonly used for livestock or poultry feed, such as corn, grain sorghum, oats, and barley.

Food grain. Cereal seeds most commonly used for human food, chiefly wheat and rice.

Food Stamp Program. A USDA program designed to help low-income households buy an adequate, nutritious diet. The program began as a pilot operation in 1961 and was made part of permanent legislation in the Food Stamp Act of 1964.

General Agreement on Tariffs and Trade (GATT). An agreement negotiated in 1947 among 23 countries, including the United States, to increase international trade by reducing tariffs and other trade barriers. This multilateral agreement provides a code of conduct for international commerce. GATT also provides a framework for periodic multilateral negotiations on trade liberalization and expansion. Seven sessions have been held, most recently the Tokyo Round Multilateral Trade Negotiations, which began in 1973 and ended early in 1979.

Green dollar export certificates. The Secretary may make available transferable certificates to commercial agricultural exporters for market expansion and development activities. Certificates would then be redeemed within 6 months of issuance for CCC commodities.

Highly erodible cropland. Highly erodible land that is in cropland use, as determined by the Secretary. See Highly erodible land.

Highly erodible land. Land that is classified by the Soil Conservation Service (SCS) as class IV, VI, VII, or VIII land under the land capability classification system or land that has an excessive average annual rate of erosion in relation to its soil loss tolerance level as determined by the Secretary.

Hydric soil. Soil that, in its undrained state, is flooded long enough during a growing season to develop an anaerobic condition that supports the growth and regeneration of hydrophytic vegetation.

International trade barriers. Regulations used by governments to restrict imports from, and exports to, other countries. Examples are tariffs, embargoes, import quotas, and unnecessary sanitary restrictions.

Import quota. The maximum quantity or value of a commodity allowed to enter a country during a specified time period.

Land capability classes. A system of expressing the suitability of a soil for agricultural use. Soils are grouped (classes I through VIII) according to their limitations when used for field crops, the risk of damage when they are used, and the way they respond to treatment. The numerals indicate progressively greater limitations and narrower choices for practical use.

Loan rate. The price per unit (bushel, bale, or pound) at which the Government will provide loans to farmers to enable them to hold their crops for later sale.

Marketing certificate. A certificate which may be redeemed for a specified amount of CCC commodities.

Marketing loan. Authorizes producers to repay their commodity loan at a lower "market" level.

Marketing quota. Under certain agricultural programs, that quantity of a commodity that will provide adequate and normal market supplies. When marketing quotas are in effect (only after approval by two-thirds or more of the eligible producers voting in a referendum), growers who produce in excess of their farm acreage allotments are subject to marketing penalties on the "excess" production and are ineligible for Government price-support loans. Quota provisions have been suspended for wheat, feed grains, and cotton since the sixties; rice quotas were abolished in 1981. Poundage quotas are still used for domestically consumed peanuts, but not for exported peanuts.

Multilateral. Agreements or programs involving three or more countries, such as the General Agreement on Tariffs and Trade. See Bilateral.

National Agricultural Cost of Production Standards Review Board. Established in 1981 to annually review the cost of production methodology used by USDA in price-support programs.

National farm program acreage. The number of harvested acres of feed grains, wheat, Upland cotton, and rice needed nationally to meet domestic and export use and to accomplish any desired increase or decrease in carryover levels. Program acreage for an individual farm is based on the producer's share of the national farm program acreage.

Nonrecourse loans. Price-support loans to farmers to enable them to hold their crops for later sale, usually within the marketing year. The loans are nonrecourse in that farmers can forfeit without penalty the loan collateral (the commodity) to the Government as settlement of the loan. See Loan rate.

Normal crop acreage. The acreage on a farm normally devoted to a group of designated crops. When a set-aside program is in effect, a farm's total planted acreage of such designated crops plus set-aside acreage cannot exceed the normal crop acreage, if the farmer wants to participate in the commodity loan program or receive deficiency payments.

Normal yield. A term designating the average historical yield established for a particular farm or area. Normal production would be the normal acreage planted to a commodity multiplied by the normal yield.

Office of Technology Assessment (OTA). Established in 1972, OTA is a nonpartisan support agency which serves Congress. Its purpose is to provide analyses of emerging, difficult, and technical issues that confront our society.

Paid diversion. A voluntary land retirement system in which farmers are paid for foregone production from their base acreage.

Parity price. Originally, the price per bushel, pound, or bale that would be necessary for a bushel today to buy the same quantity of goods (from a standard list) that a bushel would have bought in the 1910-14 base period at the prices then prevailing. In 1948, the parity price formula was revised to make parity prices dependent on the relationship of farm and nonfarm prices during the most recent 10-year period for nonbasic commodities. Basic commodities, including wheat, corn, rice, peanuts, and cotton use the higher of the historical formula or the new formula.

Payment-in-kind (PIK). Used by CCC in both export and domestic commodity programs, PIK certificates, expressed as a dollar value, may be redeemed either for commodities or, in some cases, for cash.

Payment limitation. A limitation set by law on the amount of money any one individual may receive in farm program payments, such as deficiency and disaster payments, each year under the feed grain, wheat, cotton, and rice programs. The limitation, currently $50,000, does not include the value of loans received, any gain realized from a marketing loan, deficiency payments made as a result of lowering the basic loan rate (under the wheat and feed grain programs), loan deficiency payments, inventory reduction payments, and benefits received as a result of cost reduction actions by the Secretary.

Permanent legislation. The statutory legislation upon which many agricultural programs are based (for the major commodities, principally the Agricultural Adjustment Act of 1938 and the Agricultural Act of 1949). Although these laws are frequently amended for a given number of years, they would once again become law if current amendments, such as the 1985 Act, were to lapse or new legislation not be enacted.

Program crops. Wheat, corn, barley, grain sorghum, oats, Upland cotton, and rice.

Program yield. The farm commodity yield of record determined by averaging the yield for the past 5 years, dropping the high and low years.

Public Law 480. Enacted in 1954 to expand foreign markets for U.S. agricultural products, combat hunger, and encourage economic development in developing countries. Makes U.S. agricultural commodities available through low-interest, long-term credit under title I of the act, and as donations for famine or other emergency relief under title II. Under title I, the recipient country agrees to undertake agricultural development projects to improve its own food production or distribution. Title III authorizes "food for development" projects.

Puerto Rico block grant. Annual funding to provide food assistance to needy persons in Puerto Rico in lieu of the Food Stamp Program.

Rural Electrification Administration (REA). A USDA agency which assists rural electric and telephone utilities to obtain financing.

Set-aside. A program to limit production by restricting the use of land. Restricts the amount of a farmer's total cropland base used for production rather than on the acres used to produce a specific crop. See Normal crop acreage.

Shelterbelt. A plant barrier of trees, shrubs, or other approved perennial vegetation designed to reduce wind erosion.

Skip-row planting. Planting in uniform spaces one or more rows to a commodity (especially cotton), then skipping one or more rows.

Soil Conservation Service (SCS). A USDA agency responsible for developing and carrying out national soil and water programs in cooperation with landowners, operators, and others.

Subsidy. Any national tax rebate on exports, financial assistance on preferential terms, financial assistance for operating losses, assumption of costs or expenses of production, processing, or distribution, a differential export tax or duty exemption, domestic consumption quota, or other method of ensuring the availability of raw materials at artificially low prices.

Target option program. A program in which wheat producers, at the Secretary's discretion, choose from a schedule of target prices and corresponding acreage reduction levels.

Target price. A price level established by law for wheat, feed grains, rice, and cotton. If the market price falls below the target price, an amount equal to the difference (but not more than the difference between the target price and price-support loan levels) is paid to farmers who participate in commodity programs. See Deficiency payment.

Tariffs. A system of duties imposed by government on imported goods.

Temporary Emergency Food Assistance Program (TEFAP). Established in 1983 to provide CCC-owned foodstuffs, at no charge, to States in amounts relative to the number of unemployed and needy persons. The food is distributed by charitable organizations to eligible recipients.

U.S. Trade Representative. An independent Government agency charged with administering the U.S. trade agreements programs.

Vegetative cover. Perennial grasses, legumes, or shrubs with an expected lifespan of 5 years, or trees.

Wetlands. Land that has a predominance of hydric soils and that is inundated by surface or ground water often enough to support a prevalence of hydrophytic vegetation typically adapted for life in saturated soil conditions. See Hydric soil.

Whole herd buy-out program. Program whereby producers may submit bids to the Secretary for the purpose of ending milk production in return for payment.

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APPENDIX 5: SUMMARY OF THE FOOD SECURITY IMPROVEMENTS ACT OF 1986

The Food Security Improvements Act of 1986 (P.L. 99-260) was passed by Congress on March 12, 1986, and signed by the President on March 20, 1986. The provisions summarized below make "technical corrections" to the Food Security Act of 1985.

Nonprogram Crops

The 1986 Act limits the crops that can be planted under the 50-92 provisions of the 1985 Act (see the Farm Program Acreage sections of titles III-VI). Under the 1985 Act, any crops other than wheat, feed grains, cotton, rice, and soybeans can be seeded on the underplanted acreage. The crops allowed by the 1986 Act, however, include only sweet sorghum, guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, commodities grown for experimental use (including kenaf), and commodities for which no substantial domestic production or markets exist but which could be used to make industrial products that are now imported. These crops can be planted only if the Secretary determines that such production will probably not increase the cost of price support programs, will not adversely affect farm income, and is needed to provide adequate supplies of the crop or to encourage domestic production of industrial raw materials. These restrictions do not apply to producers who planted (or contracted to plant) a nonprogram crop on the permitted acreage before February 26, 1986.

Haying and grazing are permitted on the underplanted acreage at the request of the State ASC committee, unless the Secretary determined that there would be an adverse economic effect.

Protection of Crop Acreage Bases

The 1986 Act adds a related provision concerning crop acreage bases (title X). If a producer plants for harvest at least 50 percent of the permitted acreage to a program crop (wheat, feed grains, Upland cotton, or rice); devotes the rest to a crop other than peanuts, soybeans, ELS cotton, or the commodities listed above; and does not receive deficiency payments under the 50-92 provisions, then 50 percent of the permitted acreage is considered planted in crop years 1986-87, 35 percent in 1988, and 20 percent in 1989.

Farm Program Payment Yields

Under the 1986 Act, if the farm program yield for the 1986 crop is reduced by more than 3 percent from the 1985 program yield, the Secretary must make up the difference to the 3-percent level in CCC-owned commodities. For the 1987 crop, if the program yield declines more than 5 percent from 1985, the Secretary must make up the difference to the 5-percent level in CCC-owned commodities. For the purposes of calculating farm program payment yields for crop years 1988-90, the 1986 program yield cannot be reduced more than 10 percent below that of 1985.

Haying and Grazing

The 1986 Act changes the provisions for haying and grazing on diverted wheat and feed grain acreage to permit haying and grazing, if requested by the State ASC committee, during the 5 principal growing months of the 1986 crop year. The grazing provisions for 1987-90 remain the same (see the Acreage Reduction section in titles III-IV).

Dairy

The 1986 Act increases the deduction taken from the price of milk received by producers to fund the whole herd buy-out program. The act increases the deduction as much as $0.12 per cwt during April 1, 1986, through September 30, 1986, to offset the March 1 reductions in Federal payments required by the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings).

The 1986 Act also requires the Secretary to hold a hearing within 90 days of receiving a proposal to amend a milk marketing order to provide for marketwide service payments. Implementation of the service payments, if approved, would be required within 120 days after the hearing (see the Milk Marketing Order section of title I).

Advance Recourse Loans

The 1986 Act expresses a sense of Congress (a nonbinding request) that the Secretary should provide the advance recourse loans authorized in title X of the 1985 Act to 1986 commodity program participants. However, the 1986 Act restricts the loans to producers unable to obtain credit elsewhere to finance production of the 1986 crop and limits the loans to $50,000 or 50 percent of the estimated price support loan (based on the program yield and farm program acreage intended to be planted), whichever is less. Producers must provide a first lien on the crop as security for the loan and obtain crop insurance.

Special Assistant for Agricultural Trade and Food Assistance

The 1985 Act created the position of a Special Assistant for Agricultural Trade and Food Aid (title XI). The 1986 Act, aside from changing the title slightly, requires that the person be appointed by May 1, 1986. The eligible salary would be changed from level I to no less than level III of the Executive Pay Schedule, as determined by the President.

Targeted Export Assistance

The 1986 Act changes the 1985 Act to require that at least $110 million of CCC funds or commodities be used annually in fiscal years 1986-88 for a targeted export assistance program. The 1985 Act (title XI) had set the minimum level at $325 million annually.

Market Development and Expansion

The 1985 Act mandated that at least $2 billion in CCC-owned commodities be used during fiscal years 1986-88 on export market enhancement (title XI). The 1986 Act changes that level to at least $1 billion, but not more than $1.5 billion in CCC-owned commodities over the same period. The 1986 Act retains the provision, however, that the commodities should be used in equal amounts in each of the fiscal years.

Overseas Donations Under Section 416

This provision requires the Secretary to estimate year-end, uncommitted CCC stocks by March 31, 1986. The Secretary must also publish an estimate of the amount of CCC stocks to be used under section 416 (title XI) during fiscal year 1986 in the Federal Register by March 31, 1986.

Food Stamps

The 1986 Act changes the due date of the required Food Stamp Program quality control studies (Program Administration section of title XV) from December 23, 1986, to 1 year after the contract is signed by USDA and the National Academy of Sciences. No date is set for the study contract itself. The 1986 Act also extends the deadlines for publishing regulations and implementing the revised quality control system until 6 months after the reports are submitted to Congress.

External Combustion Engine Research

This provision permits CCC to export up to $30 million in agricultural commodities per year to finance research and development of external combustion engines using nonpetroleum fuels.

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